

## Operations

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

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

We present Management's Discussion of Operations in five parts: Overview of Our Earnings from 2005 through 2007, Global Risk Management, Segment Operations, Geographic Operations and Environmental Matters. Unless otherwise indicated, we refer to captions such as revenues and earnings from continuing operations simply as "revenues" and "earnings" throughout this Management's Discussion and Analysis. Similarly, discussion of other matters in our consolidated financial statements relates to continuing operations unless otherwise indicated.

### Overview of Our Earnings from 2005 through 2007

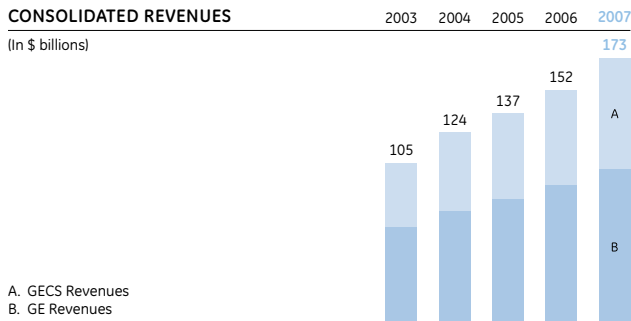
Our results for the last three years reflect our strategy to strengthen our position as a worldwide growth company operating in diverse industries in which we maintain strong market-leader positions. During these three years, we increased revenues through organic growth (averaging 9% per year) and reallocated resources from nonstrategic operations to businesses that provide higher returns. As a result, over the last three years our revenues grew 26% and earnings, 29%. Orders for products and services also increased. Emerging markets continued to provide us opportunities to grow as evidenced by a 42% increase in global revenues during this period. We also experienced a weaker U.S. dollar and rising energy cost during this period.

Our debt continues to receive the highest ratings of the major rating agencies and has allowed us to consistently fund our operations in an efficient manner even through this difficult credit environment.

The information that follows will show how our global diversification and risk management strategies have helped us to grow revenues and earnings to record levels. We also believe that the disposition of our less strategic businesses, our restructuring actions and our investment in businesses with strong growth potential position us well for the future.

### CONSOLIDATED REVENUES

(In \$ billions)



Of our six segments, Infrastructure (32% and 36% of consolidated three-year revenues and total segment profit, respectively) was one of the most significantly affected by the recent economic environment, growing revenues and profit about 40% over the three-year period. We continued to invest in market-leading technology and services at Aviation, Energy, Oil & Gas, Transportation and Water. At December 31, 2007, we owned 1,479 commercial aircraft, of which all but five were on lease, and we held \$20.0 billion (list price) of multiple-year orders for various Boeing, Airbus and other aircraft, including 75 aircraft (\$5.1 billion list price) scheduled for delivery in 2008, all under agreement to commence operations with commercial airline customers. Product services and sales of our Evolution Series locomotives continue to be strong.

Commercial Finance (20% and 21% of consolidated three-year revenues and total segment profit, respectively) is a large, profitable growth business in which we continue to invest with confidence. In a competitive environment, this business grew earnings by \$0.7 billion and \$0.8 billion in 2007 and 2006, respectively, and has delivered strong results through solid core growth, disciplined risk management and successful acquisitions. The most significant acquisitions affecting Commercial Finance results in 2007 were the custom fleet business of National Australia Bank Ltd.; Sanyo Electric Credit Co., Ltd.; and Diskont und Kredit AG and Disko Leasing GmbH (DISKO) and ASL Auto Service-Leasing GmbH (ASL), the leasing businesses of KG Allgemeine Leasing GmbH & Co. These acquisitions collectively contributed \$1.4 billion and \$0.2 billion to 2007 revenues and net earnings, respectively. During the first half of 2007, Commercial Finance faced margin compression as a decline in market risk premiums for new financing opportunities outpaced the decline in cost of our investment-grade debt. In the second half of 2007, Commercial Finance was able to capitalize on markets in transition, using its size, liquidity and financial flexibility for opportunistic originations, taking advantage of the liquidity conditions with which certain competitors contended. Commercial Finance is well positioned for growth in 2008 and beyond.

GE Money (13% of both consolidated three-year revenues and total segment profit) continues to succeed despite the slowing U.S. economy, tightening credit conditions and limited liquidity. GE Money grew earnings by \$1.0 billion and \$0.7 billion in 2007 and 2006, respectively, and has delivered strong results through solid core growth, disciplined risk management and successful acquisitions. In mid-2007, as a result of pressures in the U.S.

subprime mortgage industry, GE Money decided to sell its U.S. mortgage business (WMC). This liquidity-challenged environment in which GE Money operates continues to cause issues for some of its U.S. customers, and U.S. delinquencies increased in 2007. In response, GE Money tightened underwriting standards related to the U.S. consumer. GE Money will continue its process of regularly reviewing and adjusting reserve levels in response to when it is probable that losses have been incurred in the portfolio.

We have achieved strong growth in Healthcare (11% and 12% of consolidated three-year revenues and total segment profit, respectively) with a combination of organic growth and strategic acquisitions. Healthcare realized benefits from the acquisitions of IDX Systems Corporation in 2006 and Amersham plc (Amersham) in 2004, expanding the breadth of our product and service offerings to the healthcare industry. These increases were adversely affected by the effects of the Deficit Reduction Act on U.S. equipment sales. In addition, lower sales of surgical imaging equipment resulted from a regulatory suspension on shipments at one of our facilities. We expect to begin shipping these products in early 2008. We believe that Healthcare is positioned well for continued strong growth.

NBC Universal (10% and 12% of consolidated three-year revenues and total segment profit, respectively) has developed into a diversified world-class media company. While the technology and business model for the entertainment media industry continues to evolve, in 2007, we made significant progress in our turnaround efforts and believe that NBC Universal is well positioned to compete in this challenging environment.

Industrial (11% and 6% of consolidated three-year revenues and total segment profit, respectively) is particularly sensitive to economic conditions. Despite pressure from a weaker housing market, the Consumer & Industrial business continued to grow through product innovation and its focus on high-end appliances. During 2007, Consumer & Industrial launched a comprehensive, multi-year restructuring plan focused on reducing manufacturing capacity as it moved to a "design, source and sell" model and to make the business more cost competitive by transferring work to lower-cost countries. Enterprise Solutions offers protection and productivity solutions such as safe facilities, plant automation, power control and sensing applications.

Overall, acquisitions contributed \$7.7 billion, \$3.9 billion and \$9.3 billion to consolidated revenues in 2007, 2006 and 2005, respectively. Our consolidated earnings included approximately \$0.5 billion in both 2007 and 2006, and \$0.9 billion in 2005, from acquired businesses. We integrate acquisitions as quickly as possible. Only revenues and earnings from the date we complete the acquisition through the end of the fourth following quarter are attributed to such businesses. Dispositions also affected our ongoing results through lower revenues of \$3.6 billion, \$1.3 billion and \$1.9 billion in 2007, 2006 and 2005, respectively. This resulted in higher earnings of \$0.4 billion in 2007 and \$0.1 billion in 2006 and lower earnings of \$0.1 billion in 2005.

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

**DISCONTINUED OPERATIONS.** In December 2007, we completed the exit of WMC as a result of continued pressures in the U.S. subprime mortgage industry. In September 2007, we committed to a plan to sell our Japanese personal loan business (Lake). We made the decision to sell this business upon determining that, despite restructuring, Japanese regulatory limits for interest charges on unsecured personal loans did not permit us to earn an acceptable return. We are actively pursuing a buyer and expect to complete the sale of this business by the end of the third quarter of 2008. Both of these businesses were previously reported in the GE Money segment.

In August 2007, we completed the sale of our Plastics business, which was previously reported in the Industrial segment. We sold this business because of its cyclical nature, rising costs of natural gas and raw materials, and the decision to redeploy capital resources into higher-growth businesses.

In 2006, we substantially completed our planned exit of the insurance businesses through the sale of the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions Corporation (GE Insurance Solutions) and the sale of GE Life, our U.K.-based life insurance operation, to Swiss Reinsurance Company (Swiss Re), and the sale, through a secondary public offering, of our remaining 18% investment in Genworth Financial, Inc. (Genworth), our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. Also during 2006, we sold our Advanced Materials business, which was previously reported in our Industrial segment.

We reported the businesses described above as discontinued operations for all periods presented.

**WE DECLARED \$11.7 BILLION IN DIVIDENDS IN 2007.** Per-share dividends of \$1.15 were up 12% from 2006, following a 13% increase from the preceding year. In December 2007, our Board of Directors raised our quarterly dividend 11% to \$0.31 per share. We have rewarded our shareowners with over 100 consecutive years of dividends, with 32 consecutive years of dividend growth.

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

**GE SALES OF PRODUCT SERVICES** were \$32.2 billion in 2007, a 9% increase over 2006. Increases in product services in 2007 and 2006 were widespread, led by growth at Infrastructure, Healthcare and Industrial. Operating profit from product services was \$9.1 billion in 2007, up 9% from 2006, reflecting ongoing improvements at Infrastructure.

**POSTRETIREMENT BENEFIT PLANS** costs were \$2.6 billion, \$2.3 billion and \$1.7 billion in 2007, 2006 and 2005, respectively. The cost increased in 2007 primarily because of plan benefit changes resulting from new U.S. labor agreements and increases in retiree medical and drug costs, partially offset by increases in discount rates for the year (principal pension plans' discount rate increased from 5.50% to 5.75%) and effects of recent investment gains. The cost increased in 2006 and 2005 primarily because of the effects of prior years' investment losses and lower discount rates.

Considering the current and expected asset allocations, as well as historical and expected returns on various categories of assets in which our plans are invested, we have assumed that long-term returns on our principal pension plan assets would be 8.5% for cost recognition in 2008, the same level as we assumed in 2005, 2006 and 2007. GAAP provides recognition of differences between assumed and actual returns over a period no longer than the average future service of employees.

We expect the costs of our postretirement benefit plans in 2008 to be about the same as the 2007 costs. The effects of increasing discount rates (principal pension plans' discount rate increasing from 5.75% to 6.34%) and recent investment gains will be offset by additional costs of plan benefits resulting from union negotiations and a pensioner increase for eligible retirees and surviving spouses.

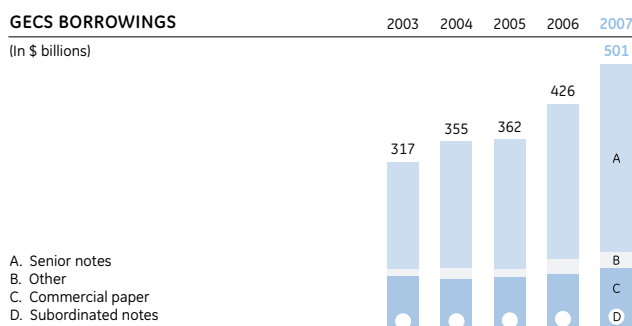
Our principal pension plans had a surplus of \$16.8 billion at December 31, 2007. We will not make any contributions to the GE Pension Plan in 2008. At December 31, 2007, the fair value of assets for our other pension plans was \$1.6 billion less than the respective projected benefit obligations. We expect to contribute \$0.5 billion to these plans in 2008, compared with actual contributions of \$0.7 billion and \$0.5 billion in 2007 and 2006, respectively. Our principal retiree health and life plans obligations exceeded the fair value of related assets by \$11.2 billion at December 31, 2007. We fund our retiree health benefits on a pay-as-you-go basis. We expect to contribute \$0.7 billion to these plans in 2008 compared with actual contributions of \$0.6 billion in 2007 and 2006.

The funded status of our postretirement benefits plans and future effects on operating results depend on economic conditions and investment performance. See note 6 for additional information about funded status, components of earnings effects and actuarial assumptions.

**GE OTHER COSTS AND EXPENSES** are selling, general and administrative expenses. These costs were 14.2%, 14.3% and 15.1% of total GE sales in 2007, 2006 and 2005, respectively.

**INTEREST ON BORROWINGS AND OTHER FINANCIAL CHARGES**

amounted to \$23.8 billion, \$18.9 billion and \$14.8 billion in 2007, 2006 and 2005, respectively. Substantially all of our borrowings are in financial services, where interest expense was \$22.7 billion, \$17.9 billion and \$14.0 billion in 2007, 2006 and 2005, respectively. Changes over the three-year period reflected increased average borrowings and increased interest rates attributable to rising credit spreads in line with general market conditions. GECS average borrowings were \$456.4 billion, \$389.0 billion and \$346.1 billion in 2007, 2006 and 2005, respectively. GECS average composite effective interest rate was 5.0% in 2007, 4.6% in 2006 and 4.1% in 2005. Proceeds of these borrowings were used in part to finance asset growth and acquisitions. In 2007, GECS average assets of \$591.1 billion were 17% higher than in 2006, which in turn were 9% higher than in 2005. See the Financial Resources and Liquidity section for a discussion of interest rate risk management.



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

Income taxes on consolidated earnings from continuing operations before accounting changes were 15.5% in 2007 compared with 16.9% in 2006 and 18.1% in 2005. Our consolidated income tax rate decreased from 2006 to 2007 as the tax benefit on the disposition of our investment in SES and an increase in favorable settlements with tax authorities more than offset a decrease in the benefit from lower-taxed earnings from global operations, which in 2006 included one-time tax benefits from planning to use non-U.S. tax net operating losses.

Our consolidated income tax rate decreased from 2005 to 2006 as growth in lower-taxed earnings from global operations, including one-time tax benefits from planning to use non-U.S. tax net operating losses, exceeded 2005 tax benefits from a reorganization of our aircraft leasing business, a repatriation of non-U.S. earnings at a reduced rate of U.S. tax, and favorable settlements with tax authorities.

A more detailed analysis of differences between the U.S. federal statutory rate and the consolidated rate, as well as other information about our income tax provisions, is provided in note 7. The nature of business activities and associated income taxes differ for GE and for GECS and a separate analysis of each is presented in the paragraphs that follow.

Because GE tax expense does not include taxes on GECS earnings, the GE effective tax rate is best analyzed in relation to GE earnings excluding GECS. GE pre-tax earnings from continuing operations, excluding GECS earnings from continuing operations, were \$12.8 billion, \$11.7 billion and \$11.0 billion for 2007, 2006 and 2005, respectively. On this basis, GE's effective tax rate was 21.8% in 2007, 21.9% in 2006 and 24.3% in 2005.

Resolution of audit matters reduced the GE effective tax rate throughout this period. The effects of such resolutions are included in the following captions in note 7:

|  | Audit resolutions—effect on<br>GE excluding GECS tax rate |        |        |
|--|---|--------|--------|
|  | 2007  | 2006   | 2005   |
| Tax on global activities including exports | (2.7)%  | (0.8)% | (0.4)% |
| All other—net                              | (2.4)   | (0.8)  | (1.7)  |
|  | (5.1)%  | (1.6)% | (2.1)% |

The GE effective tax rate declined slightly from 2006 to 2007 because the 3.5 percentage point higher 2007 benefit from favorable audit resolutions was largely offset by a 3.3 percentage point decrease in the benefit in lower-taxed earnings from global operations, excluding audit resolutions and the effect of tax law changes. The 2006 benefit from global operations included one-time tax benefits from planning to use non-U.S. net operating losses against profitable operations.

The GE rate decreased from 2005 to 2006 primarily from growth in lower-taxed earnings from global operations, including one-time tax benefits from planning to use non-U.S. net operating losses against profitable operations. These benefits, which decreased the 2006 GE rate by 3.7 percentage points compared with 2005, are included in note 7 in the line, "Tax on global activities including exports." Partially offsetting these items was a 0.5 percentage point decrease in the benefit from favorable audit resolutions and the lack of a counterpart to the 2005 repatriation of non-U.S. earnings at a reduced U.S. tax rate, discussed below, which reduced the 2005 rate by 1.0 percentage point.

The 2005 GE rate reflects audit resolutions and our 2005 repatriation of non-U.S. earnings at the reduced U.S. tax rate provided in 2004 legislation.

The GECS effective tax rate was 9.7% in 2007, compared with 12.0% in 2006 and 11.3% in 2005. The GECS income tax rate decreased from 2006 to 2007 as the tax benefit on the disposition of our investment in SES and growth in lower-taxed global earnings, which decreased the GECS effective tax rate 4.0 and 1.2 percentage points, respectively, were partially offset by higher net tax expense related to U.S. and non-U.S. audit activity and from the absence of the 2006 benefit of the reorganization, discussed below, of our aircraft leasing business which increased the rate 1.6 and 1.1 percentage points, respectively.

The GECS rate increased from 2005 to 2006 as increased benefits from growth in lower-taxed earnings from global operations was more than offset by a smaller benefit on the reorganization of our aircraft leasing business. The increased benefits from lower-taxed earnings from global operations (1.1 percentage points) and the lower benefits on the reorganization of our aircraft leasing business (2.1 percentage points) are included in the line, "Tax on global activities including exports" in note 7.

As a result of the repeal of the extraterritorial income (ETI) taxing regime as part of the American Jobs Creation Act of 2004 (the Act), our aircraft leasing business no longer qualifies for a reduced U.S. tax rate. However, the Act also extended to aircraft leasing the U.S. tax deferral benefits that were already available to other GE non-U.S. active operations. These legislative changes, coupled with a reorganization of our aircraft leasing business and a favorable Irish ruling, decreased the GECS effective tax rate 1.1 percentage points in 2006, compared with 3.2 percentage points in 2005.

### Global Risk Management

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

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

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

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

Threshold responsibility for identifying, quantifying and mitigating risks is assigned to our individual businesses. We employ proprietary analytic models to allocate capital to our financing activities, to identify the primary sources of risk and to measure the amount of risk we will take for each product line. This approach allows us to develop early signals that monitor changes in risk affecting portfolio performance and actively manage the portfolio. Other corporate functions such as Financial Planning and Analysis, Treasury, Legal and our Corporate Audit Staff support business-level risk management. Businesses that, for example, hedge

financial risk with derivative financial instruments must do so using our centrally managed Treasury function, providing assurance that the business strategy complies with our corporate policies and achieves economies of scale. We review risks periodically with business-level risk managers, senior management and our Board of Directors.

GECS employs about 19,000 dedicated risk professionals, including 11,500 involved in collection activities and 500 specialized asset managers who evaluate leased asset residuals and remarket off-lease equipment.

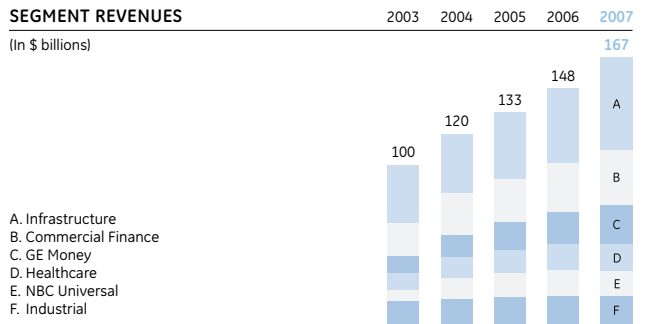
GE and GECS manage a variety of risks including liquidity, credit and market risks.

- Liquidity risk is the risk of being unable to accommodate liability maturities, fund asset growth and meet contractual obligations through access to funding at reasonable market rates. Additional information about our liquidity and how we manage this risk can be found in the Financial Resources and Liquidity section and in notes 17 and 26.
- Credit risk is the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations. We face credit risk in our investing, lending and leasing activities (see the Financial Resources and Liquidity and Critical Accounting Estimates sections and notes 1, 9, 12, 13 and 28) and derivative financial instruments activities (see note 26).
- Market risk is the potential loss in value of investment and other asset and liability portfolios, including financial instruments and residual values of leased assets. This risk is caused by changes in market variables, such as interest and currency exchange rates and equity and commodity prices. We are exposed to market risk in the normal course of our business operations as a result of our ongoing investing and funding activities. Additional information can be found in the Financial Resources and Liquidity section and in notes 9, 12, 14 and 26.

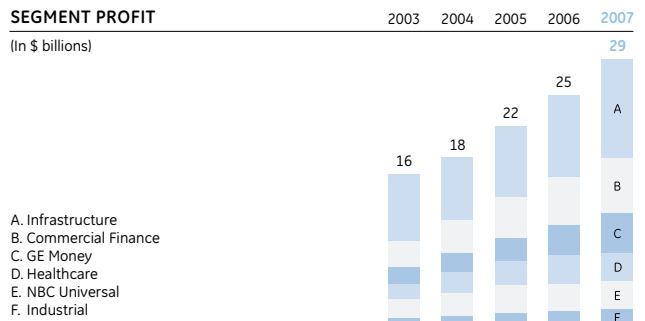
Other risks include natural disasters, availability of necessary materials, guarantees of product performance and business interruption. These types of risks are often insurable, and success in managing these risks is ultimately determined by the balance between the level of risk retained or assumed and the cost of transferring risk to others.

### Segment Operations

Operating segments comprise our six businesses focused on the broad markets they serve: Infrastructure, Commercial Finance, GE Money, Healthcare, NBC Universal and Industrial. For segment reporting purposes, certain GECS businesses including Aviation Financial Services, Energy Financial Services and Transportation Finance are reported in the Infrastructure segment because Infrastructure actively manages such businesses and reports their results for internal performance measurement purposes.



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



## Summary of Operating Segments

| (In millions)   | General Electric Company and consolidated affiliates |                  |                  |                  |                  |
|---|--|------------------|------------------|------------------|------------------|
|   | 2007   | 2006             | 2005             | 2004             | 2003             |
| <b>REVENUES</b>   |  |                  |                  |                  |                  |
| Infrastructure  | \$ 57,925  | \$ 46,965        | \$ 41,695        | \$ 37,488        | \$ 36,595        |
| Commercial Finance <sup>(a)</sup>                             | 34,288   | 30,853           | 27,273           | 26,095           | 20,284           |
| GE Money  | 25,019   | 19,783           | 17,072           | 13,713           | 11,126           |
| Healthcare  | 16,997   | 16,560           | 15,016           | 13,411           | 10,167           |
| NBC Universal   | 15,416   | 16,188           | 14,689           | 12,886           | 6,871            |
| Industrial <sup>(a)</sup>                                     | 17,725   | 17,741           | 17,060           | 15,921           | 14,658           |
| Total segment revenues  | 167,370  | 148,090          | 132,805          | 119,514          | 99,701           |
| Corporate items and eliminations                              | 5,368  | 3,753            | 3,775            | 4,662            | 4,923            |
| <b>CONSOLIDATED REVENUES</b>                                  | <b>\$172,738</b>                                     | <b>\$151,843</b> | <b>\$136,580</b> | <b>\$124,176</b> | <b>\$104,624</b> |
| <b>SEGMENT PROFIT</b>   |  |                  |                  |                  |                  |
| Infrastructure  | \$ 10,810  | \$ 8,848         | \$ 7,711         | \$ 6,798         | \$ 7,349         |
| Commercial Finance <sup>(a)</sup>                             | 6,039  | 5,297            | 4,487            | 3,652            | 2,831            |
| GE Money  | 4,280  | 3,267            | 2,527            | 2,012            | 1,777            |
| Healthcare  | 3,056  | 3,142            | 2,601            | 2,263            | 1,686            |
| NBC Universal   | 3,107  | 2,919            | 3,092            | 2,558            | 1,998            |
| Industrial <sup>(a)</sup>                                     | 1,743  | 1,602            | 1,308            | 1,027            | 850              |
| Total segment profit  | 29,035   | 25,075           | 21,726           | 18,310           | 16,491           |
| Corporate items and eliminations                              | (1,780)  | (1,475)          | (375)            | 166              | 353              |
| GE interest and other financial charges                       | (1,993)  | (1,668)          | (1,319)          | (901)            | (811)            |
| GE provision for income taxes                                 | (2,794)  | (2,552)          | (2,678)          | (1,937)          | (2,756)          |
| Earnings from continuing operations before accounting changes | 22,468   | 19,380           | 17,354           | 15,638           | 13,277           |
| Earnings (loss) from discontinued operations, net of taxes    | (260)  | 1,362            | (634)            | 1,584            | 2,828            |
| Earnings before accounting changes                            | 22,208   | 20,742           | 16,720           | 17,222           | 16,105           |
| Cumulative effect of accounting changes                       | —  | —                | —                | —                | (587)            |
| <b>CONSOLIDATED NET EARNINGS</b>                              | <b>\$ 22,208</b>                                     | <b>\$ 20,742</b> | <b>\$ 16,720</b> | <b>\$ 17,222</b> | <b>\$ 15,518</b> |

(a) During the fourth quarter of 2007, we transferred the Equipment Services business from the Industrial segment to the Commercial Finance segment, where a portion of the business is reported in Capital Solutions.

See accompanying notes to consolidated financial statements.

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

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

We have reclassified certain prior-period amounts to conform to the current period's presentation. For additional information about our segments, see note 25.

## INFRASTRUCTURE

| (In millions)         | 2007            | 2006            | 2005            |
|-----------------------|-----------------|-----------------|-----------------|
| <b>REVENUES</b>       | <b>\$57,925</b> | <b>\$46,965</b> | <b>\$41,695</b> |
| <b>SEGMENT PROFIT</b> | <b>\$10,810</b> | <b>\$ 8,848</b> | <b>\$ 7,711</b> |

| (In millions)               | 2007     | 2006     | 2005     |
|-----------------------------|----------|----------|----------|
| <b>REVENUES</b>             |          |          |          |
| Aviation                    | \$16,819 | \$13,017 | \$11,826 |
| Aviation Financial Services | 4,605    | 4,177    | 3,504    |
| Energy                      | 21,825   | 18,793   | 16,501   |
| Energy Financial Services   | 2,405    | 1,664    | 1,349    |
| Oil & Gas                   | 6,849    | 4,340    | 3,598    |
| Transportation              | 4,523    | 4,159    | 3,577    |
| <b>SEGMENT PROFIT</b>       |          |          |          |
| Aviation                    | \$ 3,222 | \$ 2,802 | \$ 2,525 |
| Aviation Financial Services | 1,155    | 1,108    | 764      |
| Energy                      | 3,824    | 2,906    | 2,662    |
| Energy Financial Services   | 724      | 695      | 646      |
| Oil & Gas                   | 860      | 548      | 411      |
| Transportation              | 936      | 774      | 524      |

Infrastructure revenues rose 23%, or \$11.0 billion, in 2007 on higher volume (\$7.9 billion), higher prices (\$1.1 billion) and the effects of the weaker U.S. dollar (\$0.8 billion) at the industrial businesses in the segment. The increase in volume reflected the effects of acquisitions at Aviation and Oil & Gas and increased sales of commercial engines and services at Aviation, thermal and wind equipment at Energy, and equipment and services at Oil & Gas and Transportation. The increase in price was primarily at Energy and Aviation, while the effects of the weaker U.S. dollar were primarily at Oil & Gas and Energy. Revenues also increased as a result of acquisitions (\$0.7 billion) and organic revenue growth (\$0.6 billion), primarily at Energy Financial Services and Aviation Financial Services.

Segment profit rose 22% to \$10.8 billion in 2007, compared with \$8.8 billion in 2006, as higher volume (\$1.3 billion), higher prices (\$1.1 billion), productivity (\$0.1 billion), the effects of the weaker U.S. dollar (\$0.1 billion) and higher sales of minority interests in engine programs (\$0.1 billion) more than offset the effects of higher material and other costs (\$0.9 billion) at the industrial businesses in the segment. The increase in volume primarily related to Aviation, Energy and Oil & Gas. Segment profit from the financial services businesses increased \$0.1 billion, primarily as a result of core growth at Aviation Financial Services.

Infrastructure revenues rose 13%, or \$5.3 billion, in 2006 on higher volume (\$4.4 billion), higher prices (\$0.3 billion) and the effects of late 2006 weakening of the U.S. dollar (\$0.1 billion) at the industrial businesses in the segment. The increase in volume reflected increased sales of power generation equipment at Energy, commercial and military services and commercial engines at Aviation, equipment at Oil & Gas, and locomotives at Transportation. The increase in price was primarily at Energy and Transportation. Revenues also increased as a result of organic revenue growth at Aviation Financial Services (\$0.7 billion) and Energy Financial Services (\$0.3 billion). Intra-segment revenues, which increased \$0.5 billion, were eliminated from total Infrastructure revenues.

Segment profit rose 15% to \$8.8 billion in 2006, compared with \$7.7 billion in 2005, as higher volume (\$0.6 billion), higher prices (\$0.3 billion) and productivity (\$0.3 billion) more than offset the effects of higher material and other costs (\$0.4 billion) at the industrial businesses in the segment. The increase in volume primarily related to Aviation, Energy, Transportation and Oil & Gas. Segment profit from the financial services businesses increased as a result of core growth at Aviation Financial Services (\$0.3 billion), including growth in lower-taxed earnings from global operations that were more than offset by lower one-time benefits from our aircraft leasing business reorganization, and core growth at Energy Financial Services.

Infrastructure orders were \$64.4 billion in 2007, up from \$51.0 billion in 2006. The \$58.5 billion total backlog at year-end 2007 comprised unfilled product orders of \$44.4 billion (of which 61% was scheduled for delivery in 2008) and product services orders of \$14.1 billion scheduled for 2008 delivery. Comparable December 31, 2006, total backlog was \$39.2 billion, of which \$27.0 billion was for unfilled product orders and \$12.2 billion, for product services orders. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

**COMMERCIAL FINANCE**

| (In millions)         | 2007            | 2006     | 2005     |
|-----------------------|-----------------|----------|----------|
| <b>REVENUES</b>       | <b>\$34,288</b> | \$30,853 | \$27,273 |
| <b>SEGMENT PROFIT</b> | <b>\$ 6,039</b> | \$ 5,297 | \$ 4,487 |

| December 31 (In millions) | 2007             | 2006      |
|---------------------------|------------------|-----------|
| <b>TOTAL ASSETS</b>       | <b>\$310,412</b> | \$252,901 |

| (In millions)         | 2007     | 2006     | 2005     |
|-----------------------|----------|----------|----------|
| <b>REVENUES</b>       |          |          |          |
| Capital Solutions     | \$14,354 | \$14,169 | \$13,162 |
| Real Estate           | 7,021    | 5,020    | 3,492    |
| <b>SEGMENT PROFIT</b> |          |          |          |
| Capital Solutions     | \$ 1,889 | \$ 1,789 | \$ 1,522 |
| Real Estate           | 2,285    | 1,841    | 1,282    |

| December 31 (In millions) | 2007      | 2006      |
|---------------------------|-----------|-----------|
| <b>ASSETS</b>             |           |           |
| Capital Solutions         | \$122,527 | \$100,882 |
| Real Estate               | 79,285    | 53,786    |

Commercial Finance 2007 revenues and net earnings increased 11% and 14%, respectively, compared with 2006. Revenues in 2007 and 2006 included \$2.4 billion and \$0.1 billion from acquisitions, respectively, and in 2007 were reduced by \$2.7 billion as a result of dispositions. Revenues in 2007 also increased \$3.7 billion as a result of organic revenue growth (\$2.7 billion) and the weaker U.S. dollar (\$1.0 billion). The increase in net earnings resulted from core growth (\$0.5 billion), acquisitions (\$0.2 billion), the weaker U.S. dollar (\$0.1 billion), and investment income (\$0.1 billion), partially offset by dispositions (\$0.1 billion) and lower securitization income (\$0.1 billion). Core growth included \$0.5 billion representing the total year's tax benefit on the disposition of our investment in SES, partially offset by \$0.2 billion of higher credit losses and \$0.1 billion in charges related to mark-to-market adjustments to loans held for sale. Investment income included higher SES gains (\$0.1 billion) offset by impairments of securitization retained interests (\$0.1 billion).

Real Estate assets at December 31, 2007, increased \$25.5 billion, or 47%, from December 31, 2006, of which \$12.6 billion was real estate investments, also up 47%. Real Estate net earnings increased 24% compared with 2006, primarily as a result of a \$0.5 billion increase in net earnings from sales of real estate investments.

Commercial Finance 2006 revenues and net earnings increased 13% and 18%, respectively, compared with 2005. Revenues in 2006 and 2005 included \$1.2 billion and \$0.1 billion from acquisitions, respectively, and in 2006 were reduced by \$0.1 billion as a result of dispositions. Revenues in 2006 also increased as a result of organic revenue growth (\$2.5 billion) and the second quarter 2006 consolidation of GE SeaCo, an entity previously accounted for using the equity method (\$0.2 billion). The increase in net earnings resulted from core growth (\$0.7 billion), including growth in lower-taxed earnings from global operations, and acquisitions (\$0.1 billion).

Real Estate assets at December 31, 2006, increased \$18.5 billion, or 52%, from December 31, 2005, of which \$12.4 billion was real estate investments, up 76%. Real Estate net earnings increased 44% compared with 2005, primarily as a result of a \$0.6 billion increase in net earnings from real estate investments. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

**GE MONEY**

| (In millions)         | 2007            | 2006     | 2005     |
|-----------------------|-----------------|----------|----------|
| <b>REVENUES</b>       | <b>\$25,019</b> | \$19,783 | \$17,072 |
| <b>SEGMENT PROFIT</b> | <b>\$ 4,280</b> | \$ 3,267 | \$ 2,527 |

| December 31 (In millions) | 2007             | 2006      |
|---------------------------|------------------|-----------|
| <b>TOTAL ASSETS</b>       | <b>\$210,952</b> | \$179,284 |

GE Money 2007 revenues and net earnings increased 26% and 31%, respectively, compared with 2006. Revenues in 2007 included \$0.4 billion from acquisitions. Revenues in 2007 also increased \$4.8 billion as a result of organic revenue growth (\$3.5 billion) and the weaker U.S. dollar (\$1.4 billion). The increase in net earnings resulted primarily from core growth (\$0.4 billion), higher securitization income (\$0.4 billion) and the weaker U.S. dollar (\$0.2 billion). Core growth included growth in lower-taxed earnings from global operations (\$0.4 billion) and the sale of part of our Garanti investment (\$0.2 billion), partially offset by declines in fair value of retained interests in securitizations (\$0.1 billion) and lower results in the U.S. reflecting the effects of higher delinquencies.

GE Money 2006 revenues and net earnings increased 16% and 29%, respectively, compared with 2005. Revenues in 2006 included \$0.9 billion from acquisitions. Revenues in 2006 also increased \$1.8 billion as a result of organic revenue growth. The increase in net earnings resulted primarily from core growth (\$0.5 billion), including growth in lower-taxed earnings from global operations, acquisitions (\$0.2 billion) and higher securitizations (\$0.1 billion). See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

**HEALTHCARE** revenues rose 3% to \$17.0 billion in 2007 as the effects of the weaker U.S. dollar (\$0.5 billion) and higher volume (\$0.4 billion) more than offset lower prices (\$0.5 billion). Increased sales in the international diagnostic imaging, clinical systems and life sciences businesses were partially offset by price pressures on U.S. equipment sales and lower sales of surgical imaging equipment resulting from regulatory suspensions of equipment shipments. Segment profit of \$3.1 billion in 2007 was 3% lower than in 2006 as lower prices (\$0.5 billion) and higher labor and other costs (\$0.2 billion) were substantially offset by the effects of productivity (\$0.4 billion) and higher volume (\$0.1 billion).

Healthcare revenues rose 10% to \$16.6 billion in 2006 as higher volume (\$2.0 billion) more than offset the effect of lower prices (\$0.4 billion). The rise in volume related to increases in healthcare services, including the 2006 acquisition of IDX Systems Corporation and stronger equipment sales. Segment profit of \$3.1 billion was 21% higher than in 2005 as productivity (\$0.6 billion) and higher volume (\$0.4 billion) more than offset lower prices (\$0.4 billion) and higher labor and other costs (\$0.1 billion).

Orders received by Healthcare were \$16.7 billion in both 2007 and 2006. The \$5.6 billion total backlog at year-end 2007 comprised unfilled product orders of \$3.5 billion (of which 94% was scheduled for delivery in 2008) and product services orders of \$2.1 billion scheduled for 2008 delivery. Comparable December 31, 2006, total backlog was \$5.9 billion, of which \$3.9 billion was for unfilled product orders and \$2.0 billion for product services orders. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

**NBC UNIVERSAL** revenues declined 5%, or \$0.8 billion, in 2007, primarily from the lack of current-year counterparts to the 2006 Olympic Games broadcasts (\$0.7 billion) and 2006 sale of television stations (\$0.2 billion), lower revenues in our broadcast network and television stations as a result of lower advertising sales (\$0.5 billion) and lower motion picture revenues (\$0.1 billion), partially offset by higher revenues for cable (\$0.4 billion) and television production and distribution (\$0.3 billion). Segment profit rose 6%, or \$0.2 billion, in 2007 as improvements in cable (\$0.2 billion), television production and distribution (\$0.2 billion), motion pictures (\$0.1 billion) and the absence of Olympic broadcasts in 2007 (\$0.1 billion) were partially offset by the lack of a current-year counterpart to the 2006 sale of four television stations (\$0.2 billion) and lower earnings from our broadcast network and television stations (\$0.2 billion).

Revenues rose 10%, or \$1.5 billion, in 2006, primarily from the 2006 Olympic Games broadcasts (\$0.7 billion), improvements in cable (\$0.6 billion) and motion pictures (\$0.2 billion), and the effects of exiting a film distribution agreement (\$0.2 billion), partially offset by the effects of lower broadcast network and television stations ratings and advertising sales (\$0.1 billion) and the net effects of certain strategic actions in both years (\$0.1 billion). Segment profit declined 6%, or \$0.2 billion, in 2006 as lower earnings from broadcast network and television station operations (\$0.4 billion), the 2006 Olympic Games broadcasts (\$0.1 billion), and the net effects of certain strategic actions in both years (\$0.1 billion) were partially offset by higher earnings from cable (\$0.2 billion) and the effects of exiting a film distribution agreement (\$0.1 billion). See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

## INDUSTRIAL

| (In millions)         | 2007            | 2006            | 2005            |
|-----------------------|-----------------|-----------------|-----------------|
| <b>REVENUES</b>       | <b>\$17,725</b> | <b>\$17,741</b> | <b>\$17,060</b> |
| <b>SEGMENT PROFIT</b> | <b>\$ 1,743</b> | <b>\$ 1,602</b> | <b>\$ 1,308</b> |

| (In millions)         | 2007     | 2006     | 2005     |
|-----------------------|----------|----------|----------|
| <b>REVENUES</b>       |          |          |          |
| Consumer & Industrial | \$13,332 | \$13,790 | \$13,606 |
| Enterprise Solutions  | 4,462    | 3,951    | 3,454    |
| <b>SEGMENT PROFIT</b> |          |          |          |
| Consumer & Industrial | \$ 1,046 | \$ 981   | \$ 764   |
| Enterprise Solutions  | 697      | 620      | 544      |

Industrial revenues were about the same in 2007 compared with 2006 as lower volume (\$0.5 billion) was offset by the effects of the weaker U.S. dollar (\$0.3 billion) and higher prices (\$0.2 billion). The decrease in volume was primarily at Consumer & Industrial, reflecting the sale of GE Supply in the third quarter of 2006, partially offset by increases in volume at Enterprise Solutions. The effects of the weaker U.S. dollar were at both Consumer & Industrial and Enterprise Solutions and price increases were primarily at Consumer & Industrial. Segment profit rose 9%, or \$0.1 billion, as productivity (\$0.4 billion) and higher prices (\$0.2 billion), primarily at Consumer & Industrial, were substantially offset by higher material and other costs (\$0.4 billion), primarily at Consumer & Industrial.

Industrial revenues rose 4%, or \$0.7 billion, in 2006 on higher volume (\$0.5 billion) and higher prices (\$0.2 billion). Volume increases were primarily at Enterprise Solutions and price increases were primarily at Consumer & Industrial. Segment profit rose 22% as productivity (\$0.5 billion), at both Consumer & Industrial and Enterprise Solutions, and higher prices (\$0.2 billion) at Consumer & Industrial were partially offset by higher material and other costs (\$0.4 billion), primarily at Consumer & Industrial. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

## CORPORATE ITEMS AND ELIMINATIONS

| (In millions)                    | 2007             | 2006             | 2005            |
|----------------------------------|------------------|------------------|-----------------|
| <b>REVENUES</b>                  |                  |                  |                 |
| Insurance activities             | \$ 3,962         | \$ 3,692         | \$ 4,183        |
| Eliminations and other           | 1,406            | 61               | (408)           |
| <b>Total</b>                     | <b>\$ 5,368</b>  | <b>\$ 3,753</b>  | <b>\$ 3,775</b> |
| <b>OPERATING PROFIT (COST)</b>   |                  |                  |                 |
| Insurance activities             | \$ 145           | \$ 57            | \$ 159          |
| Principal pension plans          | (755)            | (877)            | (329)           |
| Underabsorbed corporate overhead | (437)            | (266)            | (426)           |
| Other                            | (733)            | (389)            | 221             |
| <b>Total</b>                     | <b>\$(1,780)</b> | <b>\$(1,475)</b> | <b>\$ (375)</b> |

Corporate Items and Eliminations include the effects of eliminating transactions between operating segments; results of our insurance activities remaining in continuing operations; cost of, and cost reductions from, our principal pension plans; under-absorbed corporate overhead; certain non-allocated amounts described below; and a variety of sundry items. Corporate Items

and Eliminations is not an operating segment. Rather, it is added to operating segment totals to reconcile to consolidated totals on the financial statements.

Certain amounts included in the line "Other" above are not allocated to segment results for internal measurement purposes. In 2007, amounts primarily related to restructuring, rationalization and other charges were \$0.5 billion at Industrial (including \$0.1 billion of product quality issues), \$0.4 billion at Healthcare, \$0.3 billion at each of NBC Universal, Commercial Finance and Infrastructure and \$0.1 billion at GE Money. Amounts in 2007 also included technology and product development costs of \$0.1 billion at NBC Universal. GECS amounts are on an after-tax basis. In 2006, amounts related principally to technology and product development and restructuring costs of \$0.2 billion at NBC Universal, restructuring and other charges of \$0.2 billion at Industrial and principally for acquisition-related restructuring and other charges of \$0.1 billion at Healthcare.

Other operating profit (cost) also reflects a \$0.9 billion gain on sale of a business interest to Hitachi by the Energy business and a \$0.3 billion (after-tax) gain on sale of Swiss Re common stock. Other operating profit (cost) also reflects gains from sales of business interests of \$0.4 billion in 2006, principally GE Supply, and \$0.1 billion from the partial sale of an interest in Genpact in 2005.

#### DISCONTINUED OPERATIONS

| (In millions)  | 2007           | 2006    | 2005    |
|--|----------------|---------|---------|
| Earnings (loss) from discontinued operations, net of taxes | <b>\$(260)</b> | \$1,362 | \$(634) |

Discontinued operations comprised Lake; WMC; Plastics; Advanced Materials; the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions and most of its affiliates; GE Life, our U.K.-based life insurance operation; and Genworth, our formerly wholly-owned subsidiary that conducted most of our consumer insurance business, including life and mortgage insurance operations. Results of these businesses were reported as discontinued operations for all periods presented.

In December 2007, we completed the sale of our WMC business for \$0.1 billion in cash, recognizing an after-tax loss of \$0.1 billion. In connection with the transaction, certain contractual obligations and potential liabilities related to previously sold loans were retained.

In September 2007, we committed to a plan to sell our Lake business. In connection with this exit, we recorded an after-tax loss of \$0.9 billion, which represents the difference between the net book value of our Lake business and the projected sale price.

In August 2007, we completed the sale of our Plastics business to Saudi Basic Industries Corporation for \$11.6 billion in cash. As a result, we recognized an after-tax gain of \$1.6 billion.

Loss from discontinued operations, net of taxes, in 2007 was \$0.3 billion, reflecting a loss from operations at WMC (\$0.9 billion), an estimated after-tax loss on the planned sale of Lake (\$0.9 billion), a loss from operations at Lake (\$0.3 billion), and an after-tax loss on sale of our WMC business (\$0.1 billion), partially offset by a tax adjustment related to the 2004 initial public offering of Genworth (\$0.1 billion). This was partially offset by an after-tax gain on sale of our Plastics business (\$1.6 billion) and earnings from Plastics operations (\$0.3 billion).

Earnings from discontinued operations, net of taxes, in 2006 were \$1.4 billion, reflecting earnings at our Plastics and Advanced Materials businesses (\$1.0 billion). Also included in these earnings were earnings at Lake and WMC (\$0.2 billion), Genworth (\$0.2 billion) and GE Insurance Solutions (\$0.1 billion), partially offset by a loss at GE Life (\$0.2 billion).

Loss from discontinued operations, net of taxes, in 2005 was \$0.6 billion, reflecting a loss at GE Insurance Solutions (\$2.8 billion), partially offset by earnings at Genworth (\$0.9 billion), Plastics and Advanced Materials (\$0.8 billion), and Lake and WMC (\$0.5 billion).

For additional information related to discontinued operations, see note 2.

#### Geographic Operations

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

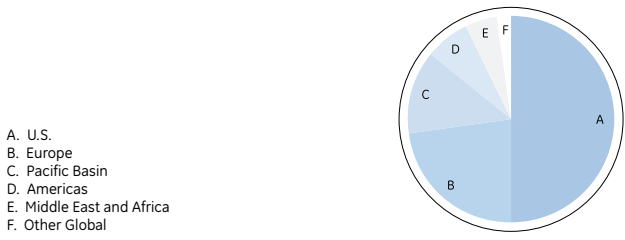
Revenues are classified according to the region to which products and services are sold. For purposes of this analysis, U.S. is presented separately from the remainder of the Americas. We classify certain operations that cannot meaningfully be associated with specific geographic areas as "Other Global" for this purpose.

#### GEOGRAPHIC REVENUES

| (In billions)          | 2007           | 2006    | 2005    |
|------------------------|----------------|---------|---------|
| U.S.                   | <b>\$ 86.2</b> | \$ 81.1 | \$ 75.7 |
| Europe                 | <b>39.9</b>    | 32.6    | 29.1    |
| Pacific Basin          | <b>22.0</b>    | 17.9    | 15.7    |
| Americas               | <b>12.6</b>    | 11.5    | 9.6     |
| Middle East and Africa | <b>8.0</b>     | 5.5     | 4.2     |
| Other Global           | <b>4.0</b>     | 3.2     | 2.3     |
| Total                  | <b>\$172.7</b> | \$151.8 | \$136.6 |

Global revenues rose 22% to \$86.5 billion in 2007, compared with \$70.8 billion and \$60.9 billion in 2006 and 2005, respectively. Global revenues to external customers as a percentage of consolidated revenues were 50% in 2007, compared with 47% and 45% in 2006 and 2005, respectively. The effects of currency fluctuations on reported results were to increase revenues by \$4.0 billion, \$0.1 billion and \$0.8 billion in 2007, 2006 and 2005, respectively.

**2007 REVENUES**

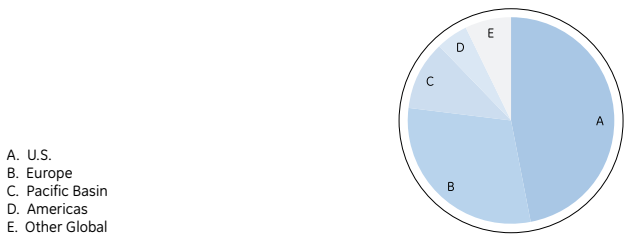


GE global revenues in 2007 were \$49.8 billion, up 16% over 2006, led by increases at Infrastructure, primarily in the Middle East and Africa, Europe and the Pacific Basin. GE global revenues were \$43.0 billion in 2006, up 15% over 2005, led by increases at Infrastructure, primarily in Europe, Middle East and Africa and the Pacific Basin.

GECS global revenues rose 32% to \$36.7 billion in 2007, compared with \$27.8 billion and \$23.4 billion in 2006 and 2005, respectively. Global revenues as a percentage of total revenues were 51% in 2007, compared with 45% and 42% in 2006 and 2005, respectively. The effects of currency fluctuations on reported results were to increase revenues by \$2.3 billion and \$0.6 billion in 2007 and 2005, respectively, compared with a decrease of \$0.1 billion in 2006.

GECS revenues in the Middle East and Africa grew 32% in 2007, primarily as a result of organic revenue growth at Infrastructure. Revenues grew 35% in the Pacific Basin, 30% in Europe and 23% in the Americas in 2007, primarily as a result of organic revenue growth, acquisitions and the effects of the weaker U.S. dollar, primarily at Commercial Finance and GE Money.

**2007 ASSETS**



Total assets of global operations on a continuing basis were \$420.3 billion in 2007, an increase of \$87.9 billion, or 26%, over 2006. GECS global assets on a continuing basis of \$363.6 billion at the end of 2007 were 21% higher than at the end of 2006, reflecting core growth, acquisitions and the effects of the weaker U.S. dollar in Europe, the Pacific Basin and the Americas, primarily at Commercial Finance and GE Money.

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

**Environmental Matters**

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

We are involved in a sizable number of remediation actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Expenditures for site remediation actions amounted to \$0.2 billion in both 2007 and 2006. We presently expect that such remediation actions will require average annual expenditures in the range of \$0.2 billion to \$0.3 billion over the next two years.

The U.S. Environmental Protection Agency (EPA) ruled in February 2002 that approximately 150,000 pounds of polychlorinated biphenyls (PCBs) must be dredged from a 40-mile stretch of the upper Hudson River in New York state. On November 2, 2006, the U.S. District Court for the Northern District of New York approved a consent decree entered into between GE and the EPA that represents a comprehensive framework for implementation of the EPA's 2002 decision to dredge PCB-containing sediments in the upper Hudson River. The dredging will be performed in two phases with an intervening peer review of performance after phase 1. Under this consent decree, we have committed up to \$0.1 billion to reimburse the EPA for its past and future project oversight costs and agreed to perform the first phase of dredging. We further committed that, subject to future agreement with the EPA about completion of dredging after completion of phase 1 and the peer review, we will be responsible for further costs, including costs of phase 2 dredging. Our Statement of Financial Position as of December 31, 2007 and 2006, included liabilities for the estimated costs of this remediation.

## Financial Resources and Liquidity

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

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

### Overview of Financial Position

Major changes in our financial position resulted from the following:

- During 2007, we separately reported the assets and liabilities of Plastics, Lake and WMC as discontinued operations for all periods presented. As of December 31, 2007, we have completed the sales of Plastics and WMC, reducing assets and liabilities of discontinued operations by \$13.2 billion and \$2.1 billion, respectively.
- During 2007, we completed the acquisitions of Smiths Aerospace Group Ltd.; Vetco Gray; Oxygen Media Corp.; Sondex PLC; Sparrowhawk Holdings Ltd.; Phoenix; Dynamic Imaging, LLC; Sanyo Electric Credit Co., Ltd.; DISKO and ASL, the leasing businesses of KG Allgemeine Leasing GmbH & Co.; Truststreet Properties, Inc.; Dundee REIT; Crow Holdings; and a controlling interest in Regency Energy Partners LP.
- Our principal pension plans had a surplus of \$16.8 billion at December 31, 2007, compared with \$11.5 billion at the end of 2006, reflecting strong asset returns and an increase in the discount rate.
- The U.S. dollar was weaker at December 31, 2007, than it was at December 31, 2006, increasing the translated levels of our non-U.S. dollar assets and liabilities. Overall, on average, the U.S. dollar in 2007 was weaker than during the comparable 2006 period, resulting in increasing the translated levels of our operations as noted in the preceding Operations section.

### Statement of Financial Position

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

**INVESTMENT SECURITIES** comprise mainly investment-grade debt securities supporting obligations to annuitants and policyholders in our run-off insurance businesses and holders of guaranteed investment contracts (GICs). Investment securities were \$45.4 billion at December 31, 2007, compared with \$47.8 billion at December 31, 2006. Of the amount at December 31, 2007, we held mortgage-backed securities (MBS) and asset-backed securities (ABS) with

estimated fair values of \$8.4 billion and \$2.2 billion, respectively. Such amounts included unrealized losses of \$0.3 billion and \$0.1 billion, respectively. Of the MBS amount, \$5.5 billion related to residential MBS and \$2.9 billion to commercial MBS.

At December 31, 2007 and 2006, we had approximately \$1.6 billion of exposure to subprime credit supporting our guaranteed investment contracts, a majority of which relates to residential MBS receiving credit ratings of Double A or better from the major rating agencies. We purchased an insignificant amount of such securities in 2007. Our subprime investment securities were collateralized primarily by pools of individual, direct mortgage loans, not other structured products such as collateralized debt obligations.

Monoline insurers (Monolines) provide credit enhancement for certain of our investment securities. The current credit environment could have a significant effect on the ability of such financial guarantors to fulfill their obligations. At December 31, 2007, our investment securities insured by Monolines amounted to \$3.5 billion, including \$1.2 billion of our \$1.6 billion investment in subprime residential MBS.

We regularly review investment securities for impairment using both quantitative and qualitative criteria. Quantitative criteria include length of time and amount that each security is in an unrealized loss position and, for fixed maturities, whether the issuer is in compliance with terms and covenants of the security. Qualitative criteria include the financial health of and specific prospects for the issuer, as well as our intent and ability to hold the security to maturity or until forecasted recovery. Our impairment reviews involve our finance, risk and asset management functions as well as the portfolio management and research capabilities of our internal and third-party asset managers. Our qualitative review attempts to identify issuers' securities “at-risk” of impairment, that is, with a greater than 50% chance of default in the following 12 months. At December 31, 2007, investment securities in an unrealized loss position included \$0.1 billion that was at risk of being charged to earnings in the next 12 months.

Impairment losses totaled \$0.1 billion in both 2007 and 2006, primarily at Commercial Finance. In 2007, we recognized impairments primarily for our retained interests in off-balance sheet arrangements. In 2006, we recognized impairments on securities of issuers in a variety of industries; we do not believe that any of the impairments indicate likely future impairments in the remaining portfolio. Investments in retained interests in off-balance sheet arrangements at GE Money also decreased by \$0.1 billion during 2007, reflecting declines in fair value accounted for in accordance with a new accounting standard that became effective at the beginning of 2007.

Gross unrealized gains and losses totaled \$1.4 billion and \$1.3 billion, respectively, at December 31, 2007, compared with \$2.9 billion and \$0.3 billion, respectively, at December 31, 2006, primarily reflecting a decrease in estimated fair values of U.S. corporate and MBS debt securities and a decrease caused by sale of certain equity securities. At December 31, 2007, available 2008 accounting gains could be as much as \$0.7 billion, net of consequential adjustments to certain insurance assets that are amortized based on anticipated gross profits. The market values

we used in determining unrealized gains and losses are those defined by relevant accounting standards and are not a forecast of future gains or losses. We presently intend to hold our investment securities that are in an unrealized loss position at December 31, 2007, at least until we can recover their respective amortized cost and we have the ability to hold our debt securities until their maturities. See note 9.

**WORKING CAPITAL**, representing GE inventories and receivables from customers, less trade payables and progress collections, was \$5.2 billion at December 31, 2007, down \$1.5 billion from December 31, 2006, reflecting higher progress collections at Energy.

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

**CURRENT RECEIVABLES** for GE amounted to \$15.1 billion at the end of 2007 and \$13.8 billion at the end of 2006, and included \$11.0 billion due from customers at the end of 2007 compared with \$8.8 billion at the end of 2006. Turnover of customer receivables from sales of goods and services was 9.9 in 2007, compared with 10.0 in 2006. Other current receivables are primarily amounts that did not originate from sales of GE goods or services, such as advances to suppliers in connection with large contracts. See note 10.

**INVENTORIES** for GE amounted to \$12.8 billion at December 31, 2007, up \$2.9 billion from the end of 2006. This increase reflected higher inventories from acquisitions and at Infrastructure, which is in line with anticipated growth. GE inventory turnover was 7.9 and 8.8 in 2007 and 2006, respectively. See note 11.

**FINANCING RECEIVABLES** is our largest category of assets and represents one of our primary sources of revenues. The portfolio of financing receivables, before allowance for losses, was \$389.9 billion at December 31, 2007, and \$332.6 billion at December 31, 2006. The related allowance for losses at December 31, 2007, amounted to \$4.3 billion, compared with \$4.0 billion at December 31, 2006, representing our best estimate of probable losses inherent in the portfolio. The 2007 increase reflected overall growth in our portfolio, increased delinquencies in the U.S. at GE Money, and the weaker U.S. dollar, primarily at GE Money; partially offset by continued strong credit quality at Commercial Finance.

A discussion of the quality of certain elements of the financing receivables portfolio follows. For purposes of that discussion, "delinquent" receivables are those that are 30 days or more past due; and "nonearning" receivables are those that are 90 days or more past due (or for which collection has otherwise become doubtful).

Commercial Finance financing receivables, before allowance for losses, totaled \$187.9 billion at December 31, 2007, compared with \$154.2 billion at December 31, 2006, and consisted of loans and financing leases to the equipment, commercial and industrial, and real estate industries. This portfolio of receivables increased primarily from core growth (\$63.3 billion), acquisitions (\$14.3 billion), and the weaker U.S. dollar (\$5.7 billion), partially offset by securitizations and sales (\$47.1 billion). Related nonearning receivables

were \$1.7 billion (0.9% of outstanding receivables) at December 31, 2007, and \$1.6 billion (1.0% of outstanding receivables) at year-end 2006. Commercial Finance financing receivables are generally backed by assets and there is a broad spread of geographic and credit risk in the portfolio.

GE Money financing receivables, before allowance for losses, were \$174.8 billion at December 31, 2007, compared with \$150.4 billion at December 31, 2006, and consisted primarily of card receivables, installment loans, auto loans and leases, and residential mortgages. This portfolio of receivables increased primarily as a result of core growth (\$15.0 billion), the weaker U.S. dollar (\$9.8 billion) and acquisitions (\$1.4 billion), partially offset by loans transferred to assets held for sale (\$1.0 billion) and dispositions (\$1.0 billion). Related nonearning receivables were \$3.7 billion at December 31, 2007, compared with \$3.2 billion at December 31, 2006, both representing 2.1% of outstanding receivables. The increase was primarily related to the weaker U.S. dollar at the end of the year and overall growth in the portfolio.

Infrastructure financing receivables, before allowance for losses, were \$22.1 billion at December 31, 2007, compared with \$21.2 billion at December 31, 2006, and consisted primarily of loans and leases to the commercial aircraft and energy industries. Related nonearning receivables were insignificant at December 31, 2007 and 2006.

Other financing receivables, before allowance for losses, were \$5.1 billion and \$6.9 billion at December 31, 2007, and December 31, 2006, respectively, and consisted primarily of financing receivables in consolidated, liquidating securitization entities. This portfolio of receivables decreased because we have stopped transferring assets to these entities. Related nonearning receivables at December 31, 2007, were \$0.1 billion (1.4% of outstanding receivables) compared with \$0.1 billion (1.2% of outstanding receivables) at December 31, 2006.

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

| December 31        | 2007  | 2006  | 2005  |
|--------------------|-------|-------|-------|
| Commercial Finance | 1.21% | 1.22% | 1.31% |
| GE Money           | 5.36  | 5.21  | 5.34  |
| U.S.               | 5.52  | 4.93  | 5.00  |
| Non-U.S.           | 5.30  | 5.32  | 5.47  |

Delinquency rates at Commercial Finance decreased from December 31, 2005, through December 31, 2007, reflecting continued strong credit quality.

Delinquency rates at GE Money increased from December 31, 2006, to December 31, 2007, primarily as a result of the deteriorating consumer credit environment in the U.S. At December 31, 2007, approximately one-third of our U.S.-managed portfolio, which consisted of credit card, installment and revolving loans, was receivable from subprime borrowers. We had no U.S. subprime residential mortgage loans at December 31, 2007. The U.S. experience had not affected our non-U.S. portfolios at December 31, 2007; those delinquency rates remained fairly stable. See notes 12 and 13.

**OTHER GECS RECEIVABLES** totaled \$22.1 billion at December 31, 2007, and \$21.7 billion at December 31, 2006, and consisted primarily of amounts due from GE (generally related to certain material procurement programs), insurance receivables, nonfinancing customer receivables, amounts due under operating leases, receivables due on sale of securities and various sundry items.

**PROPERTY, PLANT AND EQUIPMENT** amounted to \$77.9 billion at December 31, 2007, up \$7.2 billion from 2006, primarily reflecting acquisitions and additions of commercial aircraft at the Aviation Financial Services business of Infrastructure and fleet vehicles at Commercial Finance. GE property, plant and equipment consisted of investments for its own productive use, whereas the largest element for GECS was equipment provided to third parties on operating leases. Details by category of investment are presented in note 14.

GE additions to property, plant and equipment during 2007 totaled \$3.0 billion, compared with \$2.9 billion in 2006. Total expenditures, excluding equipment leased to others, for the past five years were \$13.2 billion, of which 32% was investment for growth through new capacity and product development; 33% was investment in productivity through new equipment and process improvements; and 35% was investment for other purposes such as improvement of research and development facilities and safety and environmental protection.

GECS additions to property, plant and equipment were \$15.2 billion and \$13.2 billion during 2007 and 2006, respectively, primarily reflecting acquisitions and additions of vehicles at Commercial Finance and commercial aircraft at the Aviation Financial Services business of Infrastructure.

**GOODWILL AND OTHER INTANGIBLE ASSETS** amounted to \$81.1 billion and \$16.2 billion, respectively, at December 31, 2007. Goodwill increased \$9.7 billion and other intangible assets increased \$3.3 billion from 2006, primarily from acquisitions—including Smiths Aerospace Group Ltd. and Vetco Gray by Infrastructure, DISKO and ASL and Sanyo Electric Credit Co., Ltd. by Commercial Finance and Oxygen Media Corp. by NBC Universal—and from the weaker U.S. dollar. See note 15.

**ALL OTHER ASSETS** totaled \$122.9 billion at year-end 2007, an increase of \$31.2 billion, reflecting increases from additional investments and acquisitions in real estate, increases in associated companies, prepaid pension assets and assets held for sale. See note 16.

**BORROWINGS** amounted to \$514.1 billion at December 31, 2007, compared with \$432.8 billion at the end of 2006.

GE total borrowings were \$15.8 billion at year-end 2007 (\$4.1 billion short term, \$11.7 billion long term) compared with \$11.1 billion at December 31, 2006. The increase (\$4.7 billion) is mainly attributable to long-term borrowings and will partially be used to repay maturing long-term debt in 2008. GE total debt at the end of 2007 equaled 11.4% of total capital compared with 8.7% at the end of 2006.

GECS borrowings amounted to \$500.9 billion at December 31, 2007, of which \$192.4 billion is due in 2008 and \$308.5 billion is due in subsequent years. Comparable amounts at the end of 2006 were \$426.3 billion in total, \$173.3 billion due within one year and \$253.0 billion due thereafter. The increase in borrowings primarily resulted from new issuances of GE Capital long-term debt (\$90.3 billion), the weaker U.S. dollar (\$15.8 billion), acquisitions (\$11.0 billion) and increase in short-term borrowings (\$6.4 billion), partially offset by maturities and other redemptions of long-term debt (\$47.9 billion). Included in GECS total borrowings were borrowings of consolidated, liquidating securitization entities amounting to \$9.3 billion and \$11.1 billion at December 31, 2007 and 2006, respectively. A large portion of GECS borrowings (\$101.1 billion and \$93.8 billion at the end of 2007 and 2006, respectively) was issued in active unsecured commercial paper markets that we believe will continue to be a reliable source of short-term financing. The average remaining terms and interest rates of GE Capital commercial paper were 56 days and 4.79% at the end of 2007, compared with 48 days and 5.09% at the end of 2006. The GE Capital ratio of debt to equity was 8.10 to 1 at the end of 2007 and 7.52 to 1 at the end of 2006. See note 17.

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

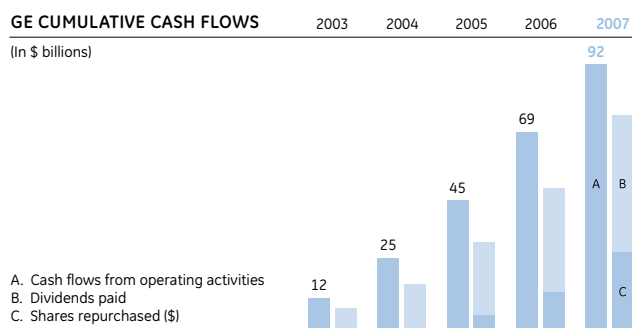
- It is our policy to minimize exposure to interest rate changes. We fund our financial investments using debt or a combination of debt and hedging instruments so that the interest rates and terms of our borrowings match the expected yields and terms on our assets. To test the effectiveness of our positions, we assumed that, on January 1, 2008, interest rates increased by 100 basis points across the yield curve (a "parallel shift" in that curve) and further assumed that the increase remained in place for 2008. We estimated, based on the year-end 2007 portfolio and holding everything else constant, that our 2008 GE consolidated net earnings would decline by \$0.1 billion.
- It is our policy to minimize currency exposures and to conduct operations either within functional currencies or using the protection of hedge strategies. We analyzed year-end 2007 consolidated currency exposures, including derivatives designated and effective as hedges, to identify assets and liabilities denominated in other than their relevant functional currencies. For such assets and liabilities, we then evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar. This analysis indicated that there would be an inconsequential effect on 2008 earnings of such a shift in exchange rates.

### Consolidated Statement of Changes in Shareowners' Equity

Shareowners' equity increased by \$4.1 billion and \$2.9 billion in 2007 and 2006, respectively, and decreased by \$1.5 billion in 2005. Changes over the three-year period were largely attributable to net earnings, partially offset by dividends declared of \$11.7 billion, \$10.7 billion and \$9.6 billion in 2007, 2006 and 2005, respectively. In 2007, we purchased \$13.9 billion of GE stock (357.9 million shares) and in 2006, we purchased \$7.8 billion of GE stock (229.4 million shares) under our share repurchase programs. Currency translation adjustments increased equity by \$4.5 billion in 2007 and \$3.6 billion in 2006, compared with a \$4.3 billion decrease in 2005. Changes in currency translation adjustments reflect the effects of changes in currency exchange rates on our net investment in non-U.S. subsidiaries that have functional currencies other than the U.S. dollar. During 2007 and 2006, the U.S. dollar weakened against the pound sterling and euro, after strengthening in 2005. The U.S. dollar was also weaker against the Japanese yen in 2007, after strengthening in 2006 and 2005. See note 22.

### Overview of Our Cash Flow from 2005 through 2007

GE cash from operating activities (CFOA) is a useful measure of performance for our non-financial businesses and totaled \$23.3 billion in 2007, \$23.8 billion in 2006 and \$19.9 billion in 2005. Generally, factors that affect our earnings—for example, pricing, volume, costs and productivity—affect CFOA similarly. However, while management of working capital, including timing of collections and payments and levels of inventory, affects operating results only indirectly, the effect of these programs on CFOA can be significant.



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

| (In billions)                     | 2007    | 2006    | 2005    |
|-----------------------------------|---------|---------|---------|
| Operating cash collections        | \$102.8 | \$ 90.6 | \$ 80.8 |
| Operating cash payments           | (86.8)  | (76.6)  | (68.7)  |
| Cash dividends from GECS          | 7.3     | 9.8     | 7.8     |
| GE cash from operating activities | \$ 23.3 | \$ 23.8 | \$ 19.9 |

The most significant source of cash in CFOA is customer-related activities, the largest of which is collecting cash following a product or services sale. GE operating cash collections increased by \$12.2 billion in 2007 and \$9.8 billion in 2006. These increases are consistent with the changes in comparable GE operating segment revenues, comprising Healthcare, NBC Universal, Industrial and the industrial businesses of the Infrastructure segment. Analyses of operating segment revenues discussed in the preceding Segment Operations section is the best way of understanding their customer-related CFOA.

The most significant operating use of cash is to pay our suppliers, employees, tax authorities and others for the wide range of materials and services necessary in a diversified global organization. GE operating cash payments increased by \$10.2 billion in 2007 and by \$7.9 billion in 2006, comparable to the increases in GE total costs and expenses.

Dividends from GECS represented distribution of a portion of GECS retained earnings, including proceeds from certain business sales, and are distinct from cash from continuing operating activities within the financial services businesses, which increased in 2007 by \$4.6 billion to \$26.4 billion, following an increase of \$2.9 billion in 2006. The amount we show in CFOA is the total dividend, including the normal dividend as well as any special dividends from excess capital primarily resulting from GECS business sales.

Based on past performance and current expectations, in combination with the financial flexibility that comes with a strong balance sheet and the highest credit ratings, we believe that we are in a sound position to grow dividends, continue making selective investments for long-term growth and execute our newly authorized three-year \$15 billion share repurchase program.

## Contractual Obligations

As defined by reporting regulations, our contractual obligations for future payments as of December 31, 2007, follow.

| (In billions)   | Payments due by period |         |           |           |                     |
|---|------------------------|---------|-----------|-----------|---------------------|
|   | Total                  | 2008    | 2009-2010 | 2011-2012 | 2013 and thereafter |
| Borrowings (note 17)  | \$514.1                | \$195.1 | \$119.4   | \$71.4    | \$128.2             |
| Interest on borrowings  | 149.0                  | 23.0    | 33.0      | 21.0      | 72.0                |
| Operating lease obligations (note 5)                              | 6.3                    | 1.3     | 2.1       | 1.5       | 1.4                 |
| Purchase obligations <sup>(a)(b)</sup>                            | 71.0                   | 44.0    | 15.0      | 10.0      | 2.0                 |
| Insurance liabilities (note 18) <sup>(c)</sup>                    | 24.0                   | 2.0     | 6.0       | 3.0       | 13.0                |
| Other liabilities <sup>(d)</sup>                                  | 74.0                   | 23.0    | 6.0       | 4.0       | 41.0                |
| Contractual obligations of discontinued operations <sup>(e)</sup> | 1.0                    | 1.0     | —         | —         | —                   |

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

(b) Excluded funding commitments entered into in the ordinary course of business by our financial services businesses. Further information on these commitments and other guarantees is provided in note 28.

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

(d) Included an estimate of future expected funding requirements related to our pension and postretirement benefit plans and included liabilities for unrecognized tax benefits. Because their future cash outflows are uncertain, the following non-current liabilities are excluded from the table above: deferred taxes, derivatives, deferred revenue and other sundry items. See notes 20 and 26 for further information on certain of these items.

(e) Included payments for other liabilities.

## Off-Balance Sheet Arrangements

Our securitization activity is primarily transacted through special purpose vehicles funded in the asset-backed commercial paper and term bond markets. The assets that we securitize include receivables secured by equipment, commercial and residential real estate, credit card receivables, trade receivables and other assets originated and underwritten by us in the normal course of business. At December 31, 2007, off-balance sheet securitization entities held \$55.1 billion in financial assets, up \$9.0 billion during the year. Assets held by these entities are underwritten based on the same criteria as our on-book assets. We monitor the underlying credit quality in accordance with our servicing role and apply rigorous controls to the execution of securitization. Based on our experience, we believe that, under any plausible future economic scenario, the likelihood is remote that the financial support arrangement we provide to securitization entities could have a material adverse effect on our financial position or results of operations. Investors in these entities usually have recourse to the underlying assets. In addition, we provide credit enhancements, most often by retaining a subordinated interest; the carrying value of our retained interests was \$5.8 billion at December 31, 2007, up \$1.1 billion during the year. We recognized impairment losses on retained interests of \$0.1 billion in 2007, primarily at Commercial Finance. Impairment losses on retained interests in 2006 were

insignificant. Investments in retained interests at GE Money also decreased by \$0.1 billion during 2007, reflecting declines in fair value accounted for in accordance with a new accounting standard that became effective at the beginning of 2007. We have also entered into other various credit enhancement positions with these securitization entities, including liquidity and credit support agreements and guarantee and reimbursement contracts, and have provided our best estimate of the fair value of estimated losses on such positions. The estimate of fair value is based on prevailing market conditions at December 31, 2007. Should market conditions deteriorate, actual losses could be higher. Our exposure to loss under such agreements was limited to \$2.8 billion at December 31, 2007.

## Debt Instruments, Guarantees and Covenants

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

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

Quantitative measures include:

- Earnings and profitability, revenue growth, the breadth and diversity of sources of income and return on assets
- Asset quality, including delinquency and write-off ratios and reserve coverage
- Funding and liquidity, including cash generated from operating activities, leverage ratios such as debt-to-capital, market access, back-up liquidity from banks and other sources, composition of total debt and interest coverage
- Capital adequacy, including required capital and tangible leverage ratios

Qualitative measures include:

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

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

During 2007, GECS paid \$2.4 billion of special dividends to GE, which were funded by the proceeds of the sale of Swiss Re common stock and GE Life.

During 2007, GECS and GECS affiliates issued \$84.6 billion of senior, unsecured long-term debt and \$5.7 billion of subordinated debt. This debt was both fixed and floating rate and was issued to institutional and retail investors in the U.S. and 17 other global markets. Maturities for these issuances ranged from one to 60 years. We used the proceeds primarily for repayment of maturing long-term debt, but also to fund acquisitions and organic growth. We anticipate that we will issue approximately \$80 billion of long-term debt during 2008. The ultimate amount we issue will depend on our needs and on market conditions.

We target a ratio for commercial paper not to exceed 35% of outstanding debt based on the anticipated composition of our assets and the liquidity profile of our debt. GE Capital is the most widely held name in global commercial paper markets.

We continue to believe that alternative sources of liquidity are sufficient to permit an orderly transition from commercial paper in the unlikely event of impaired access to those markets. Funding sources on which we would rely would depend on the nature of such a hypothetical event, but include \$64.8 billion of contractually committed lending agreements with 72 highly-rated global banks and investment banks. Total credit lines extending beyond one year increased \$5.0 billion to \$64.8 billion at December 31, 2007. See note 17.

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

**PRINCIPAL DEBT CONDITIONS** are described below.

The following conditions relate to GE and GECS:

- Swap, forward and option contracts are required to be executed under standard master-netting agreements containing mutual downgrade provisions that provide the ability of the counterparty to require assignment or termination if the long-term credit rating of either GE or GECS were to fall below A-/A3. Our related obligation, net of master-netting agreements would have been \$3.4 billion at December 31, 2007.
- If GE Capital's ratio of earnings to fixed charges, which was 1.56:1 at the end of 2007, were to deteriorate to 1.10:1, GE has committed to contribute capital to GE Capital. GE also guaranteed certain issuances of GECS subordinated debt having a face amount of \$0.8 billion at December 31, 2007 and 2006.
- In connection with certain subordinated debentures for which GECS receives equity credit by rating agencies, GE has agreed to forego dividends, distributions or other payments from GECS during events of default or interest extensions under such subordinated debentures. There were \$8.1 billion of such debentures outstanding at December 31, 2007.

The following conditions relate to consolidated entities.

- If the short-term credit rating of GE Capital or certain consolidated entities discussed further in note 27 were to be reduced below A-1/P-1, GE Capital would be required to provide substitute liquidity for those entities or provide funds to retire the outstanding commercial paper. The maximum net amount that GE Capital would be required to provide in the event of such a downgrade is determined by contract, and amounted to \$7.2 billion at January 1, 2008.
- One group of consolidated entities holds high quality investment securities funded by the issuance of GICs. If the long-term credit rating of GE Capital were to fall below AA-/Aa3 or its short-term credit rating were to fall below A-1+/P-1, GE Capital could be required to provide up to \$6.2 billion of capital to such entities.

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

### Critical Accounting Estimates

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

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

Our lending and leasing experience and the extensive data we accumulate and analyze facilitate estimates that have proven reliable over time. Our actual loss experience was in line with expectations for 2007, 2006 and 2005. While Commercial Finance continues to experience strong credit quality, we currently expect higher delinquencies in the GE Money U.S. portfolio.

Further information is provided in the Financial Resources and Liquidity—Financing Receivables section, the Asset Impairment section that follows and in notes 1, 12 and 13.

**REVENUE RECOGNITION ON LONG-TERM AGREEMENTS** to provide product services (product services agreements) requires estimates of profits over the multiple-year terms of such agreements, considering factors such as the frequency and extent of future monitoring, maintenance and overhaul events; the amount of personnel, spare parts and other resources required to perform the services; and future billing rate and cost changes. We routinely review estimates under product services agreements and regularly revise them to adjust for changes in outlook. We also regularly assess customer credit risk inherent in the carrying amounts of receivables and contract costs and estimated earnings, including the risk that contractual penalties may not be sufficient to offset our accumulated investment in the event of customer termination. We gain insight into future utilization and cost trends, as well as credit risk, through our knowledge of the installed base of equipment and the close interaction with our customers that comes with supplying critical services and parts over extended periods. Revisions that affect a product services agreement's total estimated profitability result in an immediate adjustment of earnings; such adjustments increased earnings by \$0.3 billion, \$0.7 billion and \$0.4 billion in 2007, 2006 and 2005, respectively. We provide for probable losses.

Carrying amounts for product services agreements in progress at December 31, 2007 and 2006, were \$5.5 billion and \$4.8 billion, respectively, and are included in the line, "Contract costs and estimated earnings" in note 16.

Further information is provided in note 1.

**ASSET IMPAIRMENT** assessment involves various estimates and assumptions as follows:

**INVESTMENTS.** We regularly review investment securities for impairment based on both quantitative and qualitative criteria that include the extent to which cost exceeds market value, the duration of that market decline, our intent and ability to hold to maturity or until forecasted recovery, and the financial health of and specific prospects for the issuer. We perform comprehensive market research and analysis and monitor market conditions to identify potential impairments.

At December 31, 2007, our investment in preferred and common stock, \$0.3 billion and \$0.1 billion, respectively, of FGIC Corporation (FGIC), a monoline credit insurer, was accounted for on the cost method and was in an insignificant unrealized loss position. See note 16. During 2008, credit rating agencies downgraded FGIC; following the downgrades, various alternative outcomes were possible. We continue to monitor this investment closely, including review for impairment.

Further information about actual and potential impairment losses is provided in the Financial Resources and Liquidity—Investment Securities section and in notes 1, 9 and 16.

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

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

We recognized impairment losses on our operating lease portfolio of commercial aircraft of \$0.1 billion in 2007 and 2006. Provisions for losses on financing receivables related to commercial aircraft were insignificant in 2007 and 2006.

Further information on impairment losses and our exposure to the commercial aviation industry is provided in the Operations—Overview section and in notes 14 and 28.

**REAL ESTATE.** We review our real estate investment portfolio for impairment regularly or when events or circumstances indicate that the related carrying amounts may not be recoverable. Our portfolio is diversified, both geographically and by asset type. However, the global real estate market is subject to periodic cycles that can cause significant fluctuations in market values. While the current estimated value of our Commercial Finance Real Estate investments exceeds our carrying value by about \$3 billion, the same as last year, downward cycles could adversely affect our ability to realize these gains in an orderly fashion in the future and may necessitate recording impairments.

**GOODWILL AND OTHER IDENTIFIED INTANGIBLE ASSETS.** We test goodwill for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Determining whether an impairment has occurred requires valuation of the respective reporting unit, which we estimate using a discounted cash flow method. For financial services reporting units, these cash flows are reduced for estimated interest costs. Also, when determining the amount of goodwill to be allocated to a business disposition for a financial services business, we reduce the cash proceeds we receive from the sale by the amount of debt which is allocated to the sold business in order to be consistent with the reporting unit valuation methodology. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. In applying this methodology, we rely on a number of factors, including actual operating results, future business plans, economic projections and market data.

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

We test other identified intangible assets with defined useful lives and subject to amortization by comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. We test intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows. For our insurance activities remaining in continuing operations, we periodically test for impairment our deferred acquisition costs and present value of future profits.

Further information is provided in the Financial Resources and Liquidity—Goodwill and Other Intangible Assets section and in notes 1 and 15.

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

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

Our discount rates for principal pension plans at December 31, 2007, 2006 and 2005 were 6.34%, 5.75% and 5.50%, respectively, reflecting market interest rates.

To determine the expected long-term rate of return on pension plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. Assets in our principal pension plans earned 13.6% in 2007, and had average annual earnings of 14.9%, 9.2% and 12.2% per year in the five-, 10- and 25-year periods ended December 31, 2007, respectively. We believe that these results, in connection with our current and expected asset allocations, support our assumed long-term return of 8.5% on those assets.

At December 31, 2007, our principal pension plans had \$1.0 billion of exposure to subprime credit, a majority of which related to residential mortgage-backed securities receiving credit ratings of Double A or better from the major rating agencies. Monolines insured \$0.5 billion, including \$0.1 billion of residential mortgage-backed securities. Our subprime investment securities were collateralized primarily by pools of individual, direct mortgage loans, not other structured products such as collateralized debt obligations.

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

- Discount rate—a 25 basis point increase in discount rate would decrease pension cost in the following year by \$0.2 billion.
- Expected return on assets—a 50 basis point increase in the expected return on assets would decrease pension cost in the following year by \$0.3 billion.

Further information on our pension plans is provided in the Operations—Overview section and in note 6.

**INCOME TAXES.** Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions including evaluating uncertainties under Financial Accounting Standards Board Interpretation (FIN) 48, *Accounting for Uncertainty in Income Taxes*. We review our tax positions quarterly and adjust the balances as new information becomes available. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates.

We use our historical experience and our short and long-range business forecasts to provide insight. Further, our global and diversified business portfolio gives us the opportunity to employ various prudent and feasible tax planning strategies to facilitate the recoverability of future deductions. Amounts recorded for deferred tax assets related to non-U.S. net operating losses, net of valuation allowance were \$1.7 billion and \$1.5 billion at December 31, 2007 and 2006, respectively. Such year-end 2007 amounts are expected to be fully recoverable within the applicable statutory expiration periods. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

Further information on income taxes is provided in the Operations—Overview section and in notes 7 and 20.

**DERIVATIVES AND HEDGING.** We use derivatives to manage a variety of risks, including risks related to interest rates, foreign exchange and commodity prices. Accounting for derivatives as hedges requires that, at inception and over the term of the arrangement, the hedged item and related derivative meet the requirements for hedge accounting. The rules and interpretations related to derivatives accounting are complex. Failure to apply this complex guidance correctly will result in all changes in the fair value of the derivative being reported in earnings, without regard to the offsetting changes in the fair value of the hedged item.

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

At December 31, 2007, derivative assets and liabilities were \$3.6 billion and \$2.6 billion, respectively. Further information about our use of derivatives is provided in notes 17, 22 and 26.

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

Further information is provided in notes 19 and 28.

## Other Information

### New Accounting Standards

On September 15, 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 157, *Fair Value Measurements*, which defines fair value, establishes a new framework for measuring that value and expands disclosures about fair value measurements. Broadly, SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 established market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. SFAS 157 will require, among other things, expanded disclosure about fair value measurements that have a significant portion of the value determined using unobservable inputs (level 3 measurements). The standard applies prospectively to new fair value measurements performed after the required effective dates, which are as follows: on January 1, 2008, the standard applied to our measurements of the fair values of financial instruments and recurring fair value measurements of non-financial assets and liabilities; on January 1, 2009, the standard will apply to all remaining fair value measurements, including non-recurring measurements of non-financial assets and liabilities such as measurement of potential impairments of goodwill, other intangible assets and other long-lived assets. It also will apply to fair value measurements of non-financial assets acquired and liabilities assumed in business combinations. On January 18, 2008, the FASB issued proposed FASB Staff Position (FSP) FAS 157-c, *Measuring Liabilities under Statement 157*, which will modify the definition of fair value by requiring estimation of the proceeds that would be received if the entity were to issue the liability at the measurement date. Further revisions to the measurement guidance are possible and we are monitoring emerging interpretations and developments. SFAS 157 will not have a material effect on our earnings or financial position and will have no effect on our cash flows.

On February 15, 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. Under this standard, we may elect to report individual financial instruments and certain other items at fair value with changes in value reported in operations. Once made, this election is irrevocable for those items. SFAS 159 was effective for us on January 1, 2008, and we made the election for \$0.2 billion of assets.

On December 4, 2007, the FASB issued SFAS 141R, *Business Combinations*, which we will adopt on January 1, 2009. This standard will significantly change the accounting for business acquisitions both during the period of the acquisition and in subsequent periods. Among the more significant changes in the accounting for acquisitions are the following:

- Transaction costs will generally be expensed. Certain such costs are presently treated as costs of the acquisition.
- In-process research and development (IPR&D) will be accounted for as an asset, with the cost recognized as the research and development is realized or abandoned. IPR&D is presently expensed at the time of the acquisition.
- Contingencies, including contingent consideration, will generally be recorded at fair value with subsequent adjustments recognized in operations. Contingent consideration is presently accounted for as an adjustment of purchase price.
- Decreases in valuation allowances on acquired deferred tax assets will be recognized in operations. Such changes previously were considered to be subsequent changes in consideration and were recorded as decreases in goodwill.

Generally, the effects of SFAS 141R will depend on future acquisitions.

On December 4, 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of ARB No. 51, which we will adopt on January 1, 2009. This standard will significantly change the accounting and reporting related to noncontrolling interests in a consolidated subsidiary. After adoption, noncontrolling interests (\$8.0 billion and \$7.5 billion at December 31, 2007 and 2006, respectively) will be classified as shareowners' equity, a change from its current classification between liabilities and shareowners' equity. Earnings attributable to minority interests (\$0.9 billion in each of the most recent three years) will be included in net earnings, although such earnings will continue to be deducted to measure earnings per share. Purchases and sales of minority interests will be reported in equity, deferring, perhaps permanently, our recognition of the economic gain or loss on partial dispositions. Gains on sales of minority interests that would not have been in net earnings under SFAS 160 amounted to \$0.4 billion and \$0.3 billion in 2007 and 2006, respectively.

## Selected Financial Data

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

**GE'S TOTAL RESEARCH AND DEVELOPMENT** expenditures were \$4.1 billion in 2007, compared with \$3.5 billion and \$3.2 billion in 2006 and 2005, respectively. In 2007, expenditures from GE's own funds were \$3.0 billion compared with \$2.8 billion in 2006. Expenditures funded by customers (mainly the U.S. government) were \$1.1 billion in 2007 and \$0.7 billion in 2006.

Expenditures reported above reflect the definition of research and development required by U.S. generally accepted accounting principles. For operating and management purposes, we consider amounts spent on product and services technology to include our reported research and development expenditures, but also amounts for improving our existing products and services, and the productivity of our plant, equipment and processes. On this basis, our technology expenditures in 2007 were \$5.5 billion.

**GE'S TOTAL BACKLOG** of firm unfilled orders at the end of 2007 was \$65.6 billion, an increase of 42% from year-end 2006, reflecting increased demand at Infrastructure. Of the total backlog, \$49.4 billion related to products, of which 64% was scheduled for delivery in 2008. Product services orders, included in this reported backlog for only the succeeding 12 months, were \$16.2 billion at the end of 2007. Orders constituting this backlog may be cancelled or deferred by customers, subject in certain cases to penalties. See the Segment Operations section for further information.

## Selected Financial Data

| (Dollars in millions; per-share amounts in dollars)                   | 2007        | 2006        | 2005                   | 2004        | 2003        |
|---|-------------|-------------|------------------------|-------------|-------------|
| <b>GENERAL ELECTRIC COMPANY AND CONSOLIDATED AFFILIATES</b>           |             |             |                        |             |             |
| Revenues  | \$172,738   | \$151,843   | \$136,580              | \$124,176   | \$104,624   |
| Earnings from continuing operations before accounting changes         | 22,468      | 19,380      | 17,354                 | 15,638      | 13,277      |
| Earnings (loss) from discontinued operations, net of taxes            | (260)       | 1,362       | (634)                  | 1,584       | 2,828       |
| Earnings before accounting changes                                    | 22,208      | 20,742      | 16,720                 | 17,222      | 16,105      |
| Net earnings  | 22,208      | 20,742      | 16,720                 | 17,222      | 15,518      |
| Dividends declared  | 11,713      | 10,675      | 9,647                  | 8,594       | 7,759       |
| Return on average shareowners' equity <sup>(a)</sup>                  | 20.4%       | 19.9%       | 18.2%                  | 16.2%       | 17.1%       |
| Per share   |             |             |                        |             |             |
| Earnings from continuing operations before accounting changes—diluted | \$ 2.20     | \$ 1.86     | \$ 1.64                | \$ 1.50     | \$ 1.32     |
| Earnings (loss) from discontinued operations—diluted                  | (0.03)      | 0.13        | (0.06)                 | 0.15        | 0.28        |
| Earnings before accounting changes—diluted                            | 2.17        | 2.00        | 1.57                   | 1.65        | 1.60        |
| Net earnings—diluted  | 2.17        | 2.00        | 1.57                   | 1.65        | 1.54        |
| Earnings from continuing operations before accounting changes—basic   | 2.21        | 1.87        | 1.64                   | 1.50        | 1.33        |
| Earnings (loss) from discontinued operations—basic                    | (0.03)      | 0.13        | (0.06)                 | 0.15        | 0.28        |
| Earnings before accounting changes—basic                              | 2.18        | 2.00        | 1.58                   | 1.66        | 1.61        |
| Net earnings—basic  | 2.18        | 2.00        | 1.58                   | 1.66        | 1.55        |
| Dividends declared  | 1.15        | 1.03        | 0.91                   | 0.82        | 0.77        |
| Stock price range   | 42.15–33.90 | 38.49–32.06 | 37.34–32.67            | 37.75–28.88 | 32.42–21.30 |
| Year-end closing stock price  | 37.07       | 37.21       | 35.05                  | 36.50       | 30.98       |
| Total assets of continuing operations                                 | 788,568     | 676,808     | 590,487                | 580,862     | 484,703     |
| Total assets  | 795,337     | 696,683     | 673,210                | 750,252     | 647,395     |
| Long-term borrowings  | 319,015     | 260,752     | 212,170                | 207,788     | 170,194     |
| Shares outstanding—average (in thousands)                             | 10,182,083  | 10,359,320  | 10,569,805             | 10,399,629  | 10,018,587  |
| Shareowner accounts—average   | 608,000     | 624,000     | 634,000                | 658,000     | 670,000     |
| Employees at year end   |             |             |                        |             |             |
| United States   | 155,000     | 155,000     | 161,000                | 165,000     | 155,000     |
| Other countries   | 172,000     | 164,000     | 155,000                | 142,000     | 150,000     |
| Total employees   | 327,000     | 319,000     | 316,000 <sup>(b)</sup> | 307,000     | 305,000     |
| <b>GE DATA</b>  |             |             |                        |             |             |
| Short-term borrowings   | \$ 4,106    | \$ 2,076    | \$ 972                 | \$ 3,252    | \$ 2,398    |
| Long-term borrowings  | 11,656      | 9,043       | 8,986                  | 7,561       | 8,289       |
| Minority interest   | 6,503       | 5,544       | 5,308                  | 7,236       | 663         |
| Shareowners' equity   | 115,559     | 111,509     | 108,633                | 110,181     | 78,873      |
| Total capital invested  | \$137,824   | \$128,172   | \$123,899              | \$128,230   | \$ 90,223   |
| Return on average total capital invested <sup>(a)</sup>               | 18.9%       | 18.6%       | 16.8%                  | 14.9%       | 15.7%       |
| Borrowings as a percentage of total capital invested <sup>(a)</sup>   | 11.4%       | 8.7%        | 8.0%                   | 9.0%        | 11.8%       |
| Working capital <sup>(a)</sup>  | \$ 5,186    | \$ 6,649    | \$ 7,266               | \$ 7,163    | \$ 4,211    |
| <b>GECS DATA</b>  |             |             |                        |             |             |
| Revenues  | \$ 72,186   | \$ 61,626   | \$ 55,207              | \$ 50,682   | \$ 41,795   |
| Earnings from continuing operations before accounting changes         | 12,428      | 10,255      | 9,004                  | 7,661       | 5,871       |
| Earnings (loss) from discontinued operations, net of taxes            | (2,127)     | 403         | (1,427)                | 1,067       | 2,442       |
| Earnings before accounting changes                                    | 10,301      | 10,658      | 7,577                  | 8,728       | 8,313       |
| Net earnings  | 10,301      | 10,658      | 7,577                  | 8,728       | 7,974       |
| Shareowner's equity   | 57,676      | 54,097      | 50,812                 | 54,379      | 45,790      |
| Total borrowings  | 500,925     | 426,266     | 362,046                | 355,470     | 316,562     |
| Ratio of debt to equity at GE Capital                                 | 8.10:1      | 7.52:1      | 7.09:1                 | 6.45:1      | 6.62:1      |
| Total assets  | \$646,139   | \$564,668   | \$540,584              | \$618,614   | \$554,877   |

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

(a) Indicates terms are defined in the Glossary.

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