

**Note 1****Summary of Significant Accounting Policies****Accounting principles**

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

**Consolidation**

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

**Financial statement presentation**

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

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

- **GE** This represents the adding together of all affiliates other than General Electric Capital Services, Inc. (GECS), whose operations are presented on a one-line basis.
- **GECS** This affiliate owns all of the common stock of General Electric Capital Corporation (GE Capital). GE Capital and its respective affiliates are consolidated in the accompanying GECS columns and constitute the majority of its business.
- **CONSOLIDATED** This represents the adding together of GE and GECS, giving effect to the elimination of transactions between GE and GECS.
- **OPERATING SEGMENTS** These 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. 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. Prior period information has been reclassified to be consistent with the current organization.

Unless otherwise indicated, information in these notes to consolidated financial statements relates to continuing operations. Certain of our operations have been presented as discontinued. See note 2.

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

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

**Sales of goods and services**

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

Sales of goods in the Industrial segment typically do not include multiple product and/or services elements. In contrast, sales of goods in the Infrastructure and Healthcare segments sometimes include multiple components. In such agreements, the amount assigned to each component is based on the total price and the undelivered component's objectively determined fair value, determined from sources such as the separate selling price for that or a similar component or from competitor prices for similar components. If fair value of the undelivered component cannot be determined satisfactorily, we defer sales recognition until it is delivered. When an undelivered performance obligation is inconsequential or perfunctory, we recognize sales on the total contract and provide for the cost of the unperformed obligation.

Except as otherwise noted, we do not provide for anticipated losses before we record sales. We often sell consumer products, home videos and computer hardware and software products with a right of return. We use our accumulated experience to estimate and provide for such returns when we record the sale. Except for goods sold under long-term agreements, we recognize sales of goods under the provisions of U.S. Securities and Exchange Commission Staff Accounting Bulletin 104, *Revenue Recognition* (SAB 104). Among other things, we recognize such sales when we have no risk of transit damage, a policy that in certain cases requires us to delay recognition of otherwise qualified sales until the goods have been physically delivered.

We account for revenue recognition on agreements for sales of goods and services under power generation unit and uprate contracts; nuclear fuel assemblies; larger oil drilling equipment projects; turbo-machinery unit contracts; military development contracts; and long-term construction projects, including construction of information technology systems in our Healthcare segment, under AICPA Statement of Position (SOP) 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*. Under SOP 81-1, we estimate total contract revenue net of price concessions as well as total contract costs. For goods sold under power generation unit and uprate contracts, nuclear fuel assemblies, turbo-machinery unit contracts and military development contracts, we recognize sales as we complete major contract-specified deliverables, most often when customers receive title to the goods or accept the services as performed.

For larger oil drilling equipment projects and long-term construction projects, we recognize sales based on our progress towards contract completion measured by actual costs incurred in relation to our estimate of total expected costs. We measure SOP 81-1 revenues by applying our contract-specific estimated margin rates to incurred costs. We routinely update our estimates of future costs for agreements in process and report any cumulative effects of such adjustments in current operations. We provide for any loss that we expect to incur on these agreements when that loss is probable.

We recognize revenue upon delivery for sales of aircraft engines, military propulsion equipment and related spare parts not sold under long-term product services agreements. Delivery of large and small commercial engines, non-U.S. military equipment and all related spare parts occurs on shipment; delivery of military propulsion equipment sold to the U.S. Government or agencies thereof occurs upon receipt of a Material Inspection and Receiving Report, DD Form 250. Large commercial engines (CF6, CFM56, GE90, GEnx and GP7000) are complex aerospace equipment manufactured to customer order under a variety of sometimes-complex, long-term agreements. We measure sales of large commercial engines by applying our contract-specific estimated margin rates to incurred costs. We routinely update our estimates of future costs for large commercial engine agreements in process and report any cumulative effects of such adjustments in current operations. We measure revenue for small aircraft engines, military propulsion equipment and spare parts not subject to long-term product services agreements based on the specific contract on a specifically-measured output basis, although no faster than ratably. We provide for any loss that we expect to incur on these agreements when that loss is probable; consistent with industry practice, for commercial engines, we make such provision only if such losses are not recoverable from future highly probable sales of spare parts for those engines.

We sell product services under long-term agreements in our Infrastructure segment, principally Aviation, Energy and Transportation, where costs of performing services are incurred on other than a straight-line basis. We also sell product services in Healthcare, where such costs are expected to be on a straight-line basis. All of these agreements are accounted for under Financial Accounting Standards Board (FASB) Technical Bulletin (FTB) 90-1, *Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts*. For the Infrastructure FTB 90-1 agreements, we recognize related sales based on the extent of our progress towards completion measured by actual costs incurred in relation to total expected costs. We routinely update our estimates of future costs for agreements in process and report any cumulative effects of such adjustments in current operations. For the Healthcare FTB 90-1 agreements, we recognize revenues on a straight-line basis and expense related costs as incurred. We provide for any loss that we expect to incur on any of these agreements when that loss is probable.

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

#### **GECS revenues from services (earned income)**

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

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

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

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

### Depreciation and amortization

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

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

The cost of individually significant customer relationships is amortized in proportion to estimated total related sales; cost of other intangible assets is amortized on a straight-line basis over the asset's estimated economic life. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. See notes 14 and 15.

### NBC Universal film and television costs

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

### Losses on financing receivables

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

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

Our consumer loan portfolio consists of smaller balance, homogenous loans including card receivables, installment loans, auto loans and leases and residential mortgages. We collectively evaluate each portfolio for impairment. The allowance for losses on these receivables is established through a process that

estimates the probable losses inherent in the portfolio based upon statistical analyses of portfolio data. These analyses include migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, together with other analyses that reflect current trends and conditions. We also consider overall portfolio indicators including nonearning loans, trends in loan volume and lending terms, credit policies and other observable environmental factors.

We write off unsecured closed-end installment loans at 120 days contractually past due and unsecured open-ended revolving loans at 180 days contractually past due. We write down consumer loans secured by collateral other than residential real estate to the fair value of the collateral, less costs to sell, when such loans are 120 days past due. Consumer loans secured by residential real estate (both revolving and closed-end loans) are written down to the fair value of collateral, less costs to sell, no later than when they become 360 days past due. During 2007, we conformed our reserving methodology in our residential mortgage loan portfolios. Unsecured consumer loans in bankruptcy are written off within 60 days of notification of filing by the bankruptcy court or within contractual write-off periods, whichever occurs earlier.

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

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

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

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

#### **Partial sales of business interests**

We record gains or losses on sales of their own shares by affiliates except when realization of gains is not reasonably assured, in which case we record the results in shareowners' equity. We record gains or losses on sales of interests in commercial and military engine and turbo-machinery equipment programs.

#### **Cash and equivalents**

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

#### **Investment securities**

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

#### **Inventories**

All inventories are stated at the lower of cost or realizable values. Cost for a significant portion of GE U.S. inventories is determined on a last-in, first-out (LIFO) basis. Cost of other GE inventories is determined on a first-in, first-out (FIFO) basis. LIFO was used for 56% and 49% of GE inventories at December 31, 2007 and 2006, respectively. GECS inventories consist of finished products held for sale; cost is determined on a FIFO basis.

#### **Intangible assets**

We do not amortize goodwill, but test it annually for impairment using a fair value approach at the reporting unit level. A reporting unit is the operating segment, or a business one level below that operating segment (the component level) if discrete financial

information is prepared and regularly reviewed by segment management. However, components are aggregated as a single reporting unit if they have similar economic characteristics. We recognize an impairment charge for any amount by which the carrying amount of a reporting unit's goodwill exceeds its fair value. We use discounted cash flows to establish fair values. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. When all or a portion of a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value method.

We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. The cost of intangible assets is amortized on a straight-line basis over the asset's estimated economic life, except that individually significant customer-related intangible assets are amortized in relation to total related sales. Amortizable intangible assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite lives are tested annually for impairment and written down to fair value as required.

#### **GECS investment contracts, insurance liabilities and insurance annuity benefits**

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

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

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

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

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

Liabilities for unpaid claims and claims adjustment expenses

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

### Accounting changes

On January 1, 2007, we adopted FASB Interpretation (FIN) 48, *Accounting for Uncertainty in Income Taxes*, and FASB Staff Position (FSP) FAS 13-2, *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction*. Among other things, FIN 48 requires application of a "more likely than not" threshold to the recognition and derecognition of tax positions. FSP FAS 13-2 requires recalculation of returns on leveraged leases when there is a change in the timing or projected timing of cash flows relating to income taxes associated with such leases. The January 1, 2007, transition reduced our retained earnings by \$126 million, \$49 million associated with FIN 48 and \$77 million with FSP FAS 13-2. Of this total, \$89 million was a decrease in goodwill and \$77 million was a decrease in financing receivables — net, partially offset by a \$40 million decrease in income tax liabilities.

On January 1, 2007, we adopted FASB Statement of Financial Accounting Standards (SFAS) 155, *Accounting for Certain Hybrid Financial Instruments*. This statement amended SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, to include within its scope prepayment features in newly created or acquired retained interests related to securitizations. SFAS 155 changed the basis on which we recognize earnings on these retained interests from level yield to fair value. See notes 9 and 27.

We adopted SFAS 123 (Revised 2004), *Share-Based Payment* (SFAS 123R) and related FSPs, effective January 1, 2006. Among other things, SFAS 123R requires expensing the fair value of stock options, a previously optional accounting method that we adopted voluntarily in 2002, and classification of excess tax benefits associated with share-based compensation deductions as cash from financing activities rather than cash from operating activities. We chose the modified prospective transition method, which requires that the new guidance be applied to the unvested portion of all outstanding stock option grants as of January 1, 2006, and to new grants after that date. We further applied the alternative transition method provided in FSP FAS 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*. The transitional effects of SFAS 123R and related FSPs consisted of a reduction in net earnings of \$10 million for the year ended December 31, 2006, to expense the unvested portion of options granted in 2001; and classification of \$173 million related to excess tax benefits from share-based compensation deductions as cash from financing activities in our Statement of Cash Flows beginning in 2006, which previously would have been included in cash from operating activities.

SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, became effective for us as of December 31, 2006, and requires recognition of an asset or liability

in the statement of financial position reflecting the funded status of pension and other postretirement benefit plans such as retiree health and life, with current-year changes in the funded status recognized in shareowners' equity. SFAS 158 did not change the existing criteria for measurement of periodic benefit costs, plan assets or benefit obligations. The incremental effect of the initial adoption of SFAS 158 reduced our shareowners' equity at December 31, 2006, by \$3,819 million.

## Note 2

### Discontinued Operations

We classified our Japanese personal loan business (Lake), our U.S. mortgage business (WMC), Plastics, Advanced Materials, GE Life, Genworth Financial, Inc. (Genworth) and most of GE Insurance Solutions Corporation (GE Insurance Solutions) as discontinued operations. Associated results of operations, financial position and cash flows are separately reported for all periods presented.

#### WMC

In December 2007, we completed the sale of our U.S. mortgage business for \$117 million in cash. In connection with the transaction, certain contractual obligations and potential liabilities related to previously sold loans were retained. We sold this business because of continued pressures in the U.S. subprime mortgage industry. As a result, we recognized an after-tax loss of \$62 million during 2007. WMC revenues from discontinued operations were (\$1,424) million, \$536 million and \$607 million in 2007, 2006 and 2005, respectively. In total, WMC's loss from discontinued operations, net of taxes, was \$987 million in 2007, compared with earnings of \$29 million and \$122 million in 2006 and 2005, respectively.

#### Lake

In September 2007, we committed to a plan to sell our Lake business. 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. In connection with this exit, we recorded an after-tax loss of \$908 million in 2007, which represents the difference between the net book value of our Lake business and the projected sale price. Lake revenues from discontinued operations were \$1,056 million, \$1,440 million and \$1,737 million in 2007, 2006 and 2005, respectively. In total, Lake's loss from discontinued operations, net of taxes, was \$1,231 million in 2007, compared with earnings of \$211 million and \$401 million in 2006 and 2005, respectively.

#### Plastics and Advanced Materials

In August 2007, we completed the sale of our Plastics business to Saudi Basic Industries Corporation for \$11,577 million in cash. We sold this business because of its cyclicality, rising costs of natural gas and raw materials, and the decision to redeploy capital resources into higher-growth businesses. Also, during the fourth

quarter of 2006, we sold our Advanced Materials business. As a result of these sales, we recognized after-tax gains of \$1,578 million and \$441 million during 2007 and 2006, respectively. Plastics and Advanced Materials revenues from discontinued operations were \$4,286 million, \$8,795 million and \$8,882 million in 2007, 2006 and 2005, respectively. In total, Plastics and Advanced Materials earnings from discontinued operations, net of taxes, were \$1,867 million, \$959 million and \$793 million in 2007, 2006 and 2005, respectively.

### GE Life

In December 2006, we completed the sale of GE Life, our U.K.-based life insurance operation, to Swiss Reinsurance Company (Swiss Re) for \$910 million. As a result, we recognized after-tax losses of \$3 million and \$267 million during 2007 and 2006, respectively. GE Life revenues from discontinued operations were \$2,096 million and \$2,286 million in 2006 and 2005, respectively. In total, GE Life losses from discontinued operations, net of taxes, were \$3 million, \$178 million and \$28 million in 2007, 2006 and 2005, respectively.

### GE Insurance Solutions

In June 2006, we completed the sale of the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions to Swiss Re for \$9,297 million, including the assumption of \$1,700 million of debt. We received \$5,359 million in cash and \$2,238 million of newly issued Swiss Re common stock, representing a 9% interest in Swiss Re. As a result of the exit, we recognized earnings of \$16 million in 2007, compared with losses of \$134 million and \$934 million in 2006 and 2005, respectively. GE Insurance Solutions revenues from discontinued operations were \$2,815 million and \$7,451 million in 2006 and 2005, respectively. In total, GE Insurance Solutions earnings from discontinued operations, net of taxes, were \$15 million and \$148 million in 2007 and 2006, respectively, compared with a loss of \$2,850 million in 2005.

### Genworth

In March 2006, we completed the sale of our remaining 18% investment in Genworth through a secondary public offering of 71 million shares of Class A Common Stock and direct sale to Genworth of 15 million shares of Genworth Class B Common Stock. As a result of initial and secondary public offerings, we recognized after-tax gains of \$85 million (primarily from a tax adjustment related to the 2004 initial public offering), \$220 million and \$552 million in 2007, 2006 and 2005, respectively. Genworth revenues from discontinued operations were \$5 million and \$7,908 million in 2006 and 2005, respectively. In total, Genworth earnings from discontinued operations, net of taxes, were \$79 million, \$193 million and \$928 million in 2007, 2006 and 2005, respectively.

Summarized financial information for discontinued GE industrial operations is shown below.

| (In millions)   | 2007    | 2006    | 2005    |
|---|---------|---------|---------|
| <b>OPERATIONS</b>   |         |         |         |
| Total revenues  | \$4,286 | \$8,795 | \$8,882 |
| Earnings from discontinued operations before income taxes           | \$ 233  | \$ 577  | \$ 875  |
| Income tax benefit (expense)  | 56      | (59)    | (82)    |
| Earnings from discontinued operations before disposal, net of taxes | \$ 289  | \$ 518  | \$ 793  |
| <b>DISPOSAL</b>   |         |         |         |
| Gain on disposal before income taxes                                | \$2,362 | \$ 357  | \$ —    |
| Income tax benefit (expense)  | (784)   | 84      | —       |
| Gain on disposal, net of taxes                                      | \$1,578 | \$ 441  | \$ —    |
| <b>EARNINGS FROM DISCONTINUED OPERATIONS, NET OF TAXES</b>          |         |         |         |
|   | \$1,867 | \$ 959  | \$ 793  |

| December 31 (In millions)                    | 2007  | 2006    |
|--|-------|---------|
| <b>ASSETS</b>                                |       |         |
| Inventories                                  | \$ —  | \$1,447 |
| Property, plant and equipment—net            | 9     | 4,063   |
| Intangible assets—net                        | —     | 2,081   |
| Other  | 57    | 1,165   |
| Assets of discontinued operations            | \$ 66 | \$8,756 |
| <b>LIABILITIES</b>                           |       |         |
| Accounts payable, principally trade accounts | \$ —  | \$ 944  |
| Other GE current liabilities                 | 146   | 594     |
| Other  | 156   | 701     |
| Liabilities of discontinued operations       | \$302 | \$2,239 |

Summarized financial information for discontinued GECS operations is shown below.

| (In millions)  | 2007      | 2006     | 2005       |
|--|-----------|----------|------------|
| <b>OPERATIONS</b>  |           |          |            |
| Total revenues   | \$ (368)  | \$6,892  | \$19,989   |
| Earnings (loss) from discontinued operations before income taxes           | \$(2,211) | \$ 599   | \$ (1,457) |
| Income tax benefit (expense)   | 956       | (15)     | 412        |
| Earnings (loss) from discontinued operations before disposal, net of taxes | \$(1,255) | \$ 584   | \$ (1,045) |
| <b>DISPOSAL</b>  |           |          |            |
| Gain (loss) on disposal before income taxes                                | \$(1,510) | \$ (75)  | \$ 629     |
| Income tax benefit (expense)   | 638       | (106)    | (1,011)    |
| Loss on disposal, net of taxes   | \$ (872)  | \$ (181) | \$ (382)   |
| <b>EARNINGS (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES</b>          |           |          |            |
|  | \$(2,127) | \$ 403   | \$ (1,427) |

| December 31 (In millions)              | 2007    | 2006     |
|--|---------|----------|
| <b>ASSETS</b>                          |         |          |
| Cash and equivalents                   | \$ 284  | \$ 177   |
| Financing receivables—net              | 5,138   | 5,643    |
| All other assets                       | 115     | 4,823    |
| Other                                  | 1,166   | 476      |
| Assets of discontinued operations      | \$6,703 | \$11,119 |
| <b>LIABILITIES</b>                     |         |          |
| Liabilities of discontinued operations | \$1,526 | \$ 485   |

Assets and liabilities at December 31, 2007, were primarily at our Lake business.

### Note 3

#### Other Income

| (In millions)                              | 2007           | 2006           | 2005           |
|--|----------------|----------------|----------------|
| <b>GE</b>                                  |                |                |                |
| Sales of business interests <sup>(a)</sup> | \$1,541        | \$ 878         | \$ 576         |
| Associated companies                       | 671            | 437            | 312            |
| Interest income from GECS                  | 329            | 145            | 110            |
| Marketable securities and bank deposits    | 282            | 272            | 89             |
| Licensing and royalty income               | 255            | 220            | 224            |
| Other items                                | 293            | 355            | 443            |
|  | 3,371          | 2,307          | 1,754          |
| <b>ELIMINATIONS</b>                        | (352)          | (153)          | (81)           |
| <b>Total</b>                               | <b>\$3,019</b> | <b>\$2,154</b> | <b>\$1,673</b> |

(a) Included gain on sale of a business interest to Hitachi of \$900 million in 2007.

### Note 4

#### GECS Revenues from Services

| (In millions)                           | 2007            | 2006            | 2005            |
|---|-----------------|-----------------|-----------------|
| Interest on loans                       | \$24,034        | \$20,755        | \$18,078        |
| Equipment leased to others              | 15,260          | 12,940          | 11,587          |
| Fees                                    | 6,544           | 5,383           | 4,902           |
| Investment income <sup>(a)</sup>        | 4,724           | 3,115           | 3,134           |
| Financing leases                        | 4,699           | 4,298           | 3,990           |
| Real estate investments                 | 4,669           | 3,138           | 1,919           |
| Premiums earned by insurance activities | 2,232           | 2,084           | 2,333           |
| Associated companies                    | 2,172           | 2,079           | 1,320           |
| Gross securitization gains              | 1,812           | 1,187           | 1,051           |
| Other items                             | 5,322           | 4,263           | 4,365           |
| <b>Total</b>                            | <b>\$71,468</b> | <b>\$59,242</b> | <b>\$52,679</b> |

(a) Included gain on sale of Swiss Re common stock of \$566 million in 2007.

### Note 5

#### Supplemental Cost Information

Total expenditures for research and development were \$4,075 million, \$3,480 million and \$3,235 million in 2007, 2006 and 2005, respectively. The portion we funded was \$3,009 million in 2007, \$2,790 million in 2006 and \$2,551 million in 2005.

Rental expense under operating leases is shown below.

| (In millions) | 2007   | 2006  | 2005  |
|---------------|--------|-------|-------|
| GE            | \$ 929 | \$854 | \$862 |
| GECS          | 1,022  | 927   | 918   |

At December 31, 2007, minimum rental commitments under noncancellable operating leases aggregated \$2,647 million and \$3,671 million for GE and GECS, respectively. Amounts payable over the next five years follow.

| (In millions) | 2008  | 2009  | 2010  | 2011  | 2012  |
|---------------|-------|-------|-------|-------|-------|
| GE            | \$509 | \$478 | \$416 | \$384 | \$338 |
| GECS          | 752   | 691   | 515   | 395   | 337   |

Payments under revenue sharing partnerships amounted to \$1.9 billion, \$1.4 billion and \$1.2 billion in 2007, 2006 and 2005, respectively, and are included in cost of goods sold. GE's selling, general and administrative expenses totaled \$14,148 million in 2007, \$12,893 million in 2006 and \$12,316 million in 2005.

### Note 6

#### Postretirement Benefit Plans

##### Retiree health and life benefits

We sponsor a number of retiree health and life insurance benefit plans (retiree benefit plans). Principal retiree benefit plans are discussed below; other such plans are not significant individually or in the aggregate. We use a December 31 measurement date for our plans.

**PRINCIPAL RETIREE BENEFIT PLANS** provide health and life insurance benefits to certain employees who retire under the GE Pension Plan with 10 or more years of service. Eligible retirees share in the cost of healthcare benefits. These plans cover approximately 235,000 retirees and dependents.

##### COST OF PRINCIPAL RETIREE BENEFIT PLANS

| (In millions)                          | 2007           | 2006          | 2005           |
|--|----------------|---------------|----------------|
| Expected return on plan assets         | \$ (125)       | \$(127)       | \$(138)        |
| Service cost for benefits earned       | 286            | 229           | 243            |
| Interest cost on benefit obligation    | 577            | 455           | 507            |
| Prior service cost amortization        | 603            | 363           | 326            |
| Net actuarial loss (gain) amortization | (17)           | 64            | 70             |
| <b>Retiree benefit plans cost</b>      | <b>\$1,324</b> | <b>\$ 984</b> | <b>\$1,008</b> |

**ACTUARIAL ASSUMPTIONS** are described below. The discount rates at December 31 measured the year-end benefit obligations and the earnings effects for the subsequent year.

| December 31                                  | 2007  | 2006  | 2005  | 2004  |
|--|-------|-------|-------|-------|
| Discount rate <sup>(a)</sup>                 | 6.31% | 5.75% | 5.25% | 5.75% |
| Compensation increases                       | 5.00  | 5.00  | 5.00  | 5.00  |
| Expected return on assets                    | 8.50  | 8.50  | 8.50  | 8.50  |
| Initial healthcare trend rate <sup>(b)</sup> | 9.10  | 9.20  | 10.00 | 10.30 |

(a) Weighted average discount rate of 6.05% was used for determination of costs in 2007.

(b) For 2007, gradually declining to 6% for 2025 and thereafter.

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

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

**FUNDING POLICY.** We fund retiree health benefits on a pay-as-you-go basis. We expect to contribute approximately \$700 million in 2008 to fund such benefits. We fund retiree life insurance benefits at our discretion.

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

#### ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION (APBO)

| (In millions)                         | 2007     | 2006    |
|---------------------------------------|----------|---------|
| Balance at January 1                  | \$ 8,262 | \$9,084 |
| Service cost for benefits earned      | 286      | 229     |
| Interest cost on benefit obligation   | 577      | 455     |
| Participant contributions             | 47       | 43      |
| Plan amendments                       | 4,257    | —       |
| Actuarial loss (gain)                 | 320      | (707)   |
| Benefits paid <sup>(a)</sup>          | (796)    | (810)   |
| Other                                 | 30       | (32)    |
| Balance at December 31 <sup>(b)</sup> | \$12,983 | \$8,262 |

(a) Net of Medicare Part D subsidy of \$73 million and \$75 million in 2007 and 2006, respectively.

(b) The APBO for the retiree health plans was \$10,847 million and \$6,001 million at year-end 2007 and 2006, respectively.

In July 2007, we approved new four-year labor agreements that were negotiated with and ratified by most of our U.S. unions. The agreements amended our retiree health plans in several ways, including eliminating provisions limiting our future contributions, increasing participants' lifetime maximum coverage, increasing participant contributions and co-pays, and improving various other benefits.

A one percentage point change in the assumed healthcare cost trend rate would have the following effects.

| (In millions)                     | 1% increase | 1% decrease |
|-----------------------------------|-------------|-------------|
| APBO at December 31, 2007         | \$1,157     | \$(986)     |
| Service and interest cost in 2007 | 102         | (85)        |

#### FAIR VALUE OF PLAN ASSETS

| (In millions)                | 2007    | 2006    |
|------------------------------|---------|---------|
| Balance at January 1         | \$1,710 | \$1,619 |
| Actual gain on plan assets   | 221     | 222     |
| Employer contributions       | 622     | 636     |
| Participant contributions    | 47      | 43      |
| Benefits paid <sup>(a)</sup> | (796)   | (810)   |
| Balance at December 31       | \$1,804 | \$1,710 |

(a) Net of Medicare Part D subsidy.

#### PLAN ASSET ALLOCATION

| December 31                | 2007              |                   | 2006              |
|----------------------------|-------------------|-------------------|-------------------|
|                            | Target allocation | Actual allocation | Actual allocation |
| U.S. equity securities     | 30-45%            | 33%               | 40%               |
| Non-U.S. equity securities | 15-25             | 20                | 21                |
| Debt securities            | 20-38             | 31                | 30                |
| Real estate                | 1-10              | 6                 | 3                 |
| Private equities           | 1-11              | 5                 | 3                 |
| Other                      | 1-11              | 5                 | 3                 |

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

Trust assets invested in short-term securities must generally be invested in securities rated A1/P1 or better, except for 15% of such securities that may be rated A2/P2. GE common stock represented 5.9% and 6.1% of trust assets at year-end 2007 and 2006, respectively, and is subject to a statutory limit at 10% of total trust assets.

**RETIREE BENEFIT ASSET (LIABILITY)**

| December 31 (In millions)                                 | 2007              | 2006      |
|---|-------------------|-----------|
| Funded status <sup>(a)</sup>                              | <b>\$(11,179)</b> | \$(6,552) |
| Liability recorded in the Statement of Financial Position |                   |           |
| Retiree health plans                                      |                   |           |
| Due within one year                                       | <b>\$ (675)</b>   | \$ (681)  |
| Due after one year  | <b>(10,172)</b>   | (5,320)   |
| Retiree life plans  | <b>(332)</b>      | (551)     |
| Net liability recognized                                  | <b>\$(11,179)</b> | \$(6,552) |
| Amounts recorded in shareowners' equity                   |                   |           |
| Prior service cost  | <b>\$ 5,700</b>   | \$ 2,046  |
| Net actuarial loss  | <b>210</b>        | 4         |
| Total   | <b>\$ 5,910</b>   | \$ 2,050  |

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

In 2008, we estimate that we will amortize \$675 million of prior service cost and \$40 million of net actuarial loss from shareowners' equity into retiree benefit plans cost. Comparable amortized amounts in 2007 were \$603 million cost and \$17 million cost reduction, respectively.

**ESTIMATED FUTURE BENEFIT PAYMENTS**

| (In millions)                    | 2008  | 2009  | 2010    | 2011    | 2012    | 2013-2017 |
|----------------------------------|-------|-------|---------|---------|---------|-----------|
| Gross                            | \$935 | \$990 | \$1,050 | \$1,105 | \$1,115 | \$5,850   |
| Expected Medicare Part D subsidy | 85    | 90    | 100     | 105     | 115     | 675       |
| Net                              | \$850 | \$900 | \$ 950  | \$1,000 | \$1,000 | \$5,175   |

**COST OF PENSION PLANS**

| (In millions)                       | Total            |           |           | Principal pension plans |           |           | Other pension plans |         |         |
|-------------------------------------|------------------|-----------|-----------|-------------------------|-----------|-----------|---------------------|---------|---------|
|                                     | 2007             | 2006      | 2005      | 2007                    | 2006      | 2005      | 2007                | 2006    | 2005    |
| Expected return on plan assets      | <b>\$(4,459)</b> | \$(4,211) | \$(4,242) | <b>\$(3,950)</b>        | \$(3,811) | \$(3,885) | <b>\$(509)</b>      | \$(400) | \$(357) |
| Service cost for benefits earned    | <b>1,727</b>     | 1,719     | 1,618     | <b>1,355</b>            | 1,402     | 1,359     | <b>372</b>          | 317     | 259     |
| Interest cost on benefit obligation | <b>2,885</b>     | 2,685     | 2,609     | <b>2,416</b>            | 2,304     | 2,248     | <b>469</b>          | 381     | 361     |
| Prior service cost amortization     | <b>247</b>       | 258       | 262       | <b>241</b>              | 253       | 256       | <b>6</b>            | 5       | 6       |
| Net actuarial loss amortization     | <b>856</b>       | 893       | 480       | <b>693</b>              | 729       | 351       | <b>163</b>          | 164     | 129     |
| Pension plans cost                  | <b>\$ 1,256</b>  | \$ 1,344  | \$ 727    | <b>\$ 755</b>           | \$ 877    | \$ 329    | <b>\$ 501</b>       | \$ 467  | \$ 398  |

**ACTUARIAL ASSUMPTIONS** are described below. The discount rates at December 31 measured the year-end benefit obligations and the earnings effects for the subsequent year.

| December 31               | Principal pension plans |       |       |       | Other pension plans (weighted average) |       |       |       |
|---------------------------|-------------------------|-------|-------|-------|--|-------|-------|-------|
|                           | 2007                    | 2006  | 2005  | 2004  | 2007                                   | 2006  | 2005  | 2004  |
| Discount rate             | <b>6.34%</b>            | 5.75% | 5.50% | 5.75% | <b>5.65%</b>                           | 4.97% | 4.74% | 5.28% |
| Compensation increases    | <b>5.00</b>             | 5.00  | 5.00  | 5.00  | <b>4.50</b>                            | 4.26  | 4.20  | 4.03  |
| Expected return on assets | <b>8.50</b>             | 8.50  | 8.50  | 8.50  | <b>7.51</b>                            | 7.44  | 7.47  | 7.67  |

**Pension benefits**

We sponsor a number of pension plans. Principal pension plans, together with affiliate and certain other pension plans (other pension plans) detailed in this note, represent about 99% of our total pension assets. We use a December 31 measurement date for our plans.

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

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

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

**OTHER PENSION PLANS** in 2007 included 29 U.S. and non-U.S. pension plans with pension assets or obligations greater than \$50 million. These defined benefit plans provide benefits to employees based on formulas recognizing length of service and earnings.

**PENSION PLAN PARTICIPANTS**

| December 31, 2007          | Total          | Principal pension plans | Other pension plans |
|----------------------------|----------------|-------------------------|---------------------|
| Active employees           | <b>182,000</b> | <b>135,000</b>          | <b>47,000</b>       |
| Vested former employees    | <b>234,000</b> | <b>195,000</b>          | <b>39,000</b>       |
| Retirees and beneficiaries | <b>235,000</b> | <b>210,000</b>          | <b>25,000</b>       |
| Total                      | <b>651,000</b> | <b>540,000</b>          | <b>111,000</b>      |

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

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

**FUNDING POLICY** for the GE Pension Plan is to contribute amounts sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws plus such additional amounts as we may determine to be appropriate. We have not made contributions to the GE Pension Plan since 1987 and will not make any such contributions in 2008. In 2008, we expect to pay approximately \$150 million for benefit payments under our GE Supplementary Pension Plan and administrative expenses of our principal pension plans and expect to contribute approximately \$505 million to other pension plans. In 2007, comparative amounts were \$136 million and \$730 million, respectively.

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

#### PROJECTED BENEFIT OBLIGATION

| (In millions)                         | Principal pension plans |          | Other pension plans |         |
|---------------------------------------|-------------------------|----------|---------------------|---------|
|                                       | 2007                    | 2006     | 2007                | 2006    |
| Balance at January 1                  | \$43,293                | \$43,331 | \$9,034             | \$8,097 |
| Service cost for benefits earned      | 1,355                   | 1,402    | 372                 | 317     |
| Interest cost on benefit obligations  | 2,416                   | 2,304    | 469                 | 381     |
| Participant contributions             | 173                     | 162      | 43                  | 37      |
| Plan amendments                       | 1,470                   | 80       | 26                  | (18)    |
| Actuarial loss (gain) <sup>(a)</sup>  | (3,205)                 | (1,514)  | (665)               | 27      |
| Benefits paid                         | (2,555)                 | (2,472)  | (370)               | (287)   |
| Acquisitions (dispositions)—net       | —                       | —        | (311)               | (40)    |
| Exchange rate adjustments             | —                       | —        | 416                 | 520     |
| Balance at December 31 <sup>(b)</sup> | \$42,947                | \$43,293 | \$9,014             | \$9,034 |

(a) Principally associated with discount rate changes.

(b) The PBO for the GE Supplementary Pension Plan was \$3,437 million and \$3,554 million at year-end 2007 and 2006, respectively.

#### ACCUMULATED BENEFIT OBLIGATION

| December 31 (In millions)     | 2007     | 2006     |
|-------------------------------|----------|----------|
| GE Pension Plan               | \$38,155 | \$38,137 |
| GE Supplementary Pension Plan | 2,292    | 2,314    |
| Other pension plans           | 8,175    | 8,053    |

#### PLANS WITH ASSETS LESS THAN ABO

| December 31 (In millions)              | 2007    | 2006    |
|--|---------|---------|
| Funded plans with assets less than ABO |         |         |
| Plan assets                            | \$3,639 | \$4,833 |
| Accumulated benefit obligations        | 3,974   | 5,828   |
| Projected benefit obligations          | 4,595   | 6,667   |
| Unfunded plans <sup>(a)</sup>          |         |         |
| Accumulated benefit obligations        | 3,111   | 3,052   |
| Projected benefit obligations          | 4,283   | 4,310   |

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

#### FAIR VALUE OF PLAN ASSETS

| (In millions)                   | Principal pension plans |          | Other pension plans |         |
|---------------------------------|-------------------------|----------|---------------------|---------|
|                                 | 2007                    | 2006     | 2007                | 2006    |
| Balance at January 1            | \$54,758                | \$49,096 | \$6,435             | \$5,213 |
| Actual gain on plan assets      | 7,188                   | 7,851    | 614                 | 679     |
| Employer contributions          | 136                     | 121      | 730                 | 451     |
| Participant contributions       | 173                     | 162      | 43                  | 37      |
| Benefits paid                   | (2,555)                 | (2,472)  | (370)               | (287)   |
| Acquisitions (dispositions)—net | —                       | —        | (372)               | 2       |
| Exchange rate adjustments       | —                       | —        | 331                 | 340     |
| Balance at December 31          | \$59,700                | \$54,758 | \$7,411             | \$6,435 |

#### PLAN ASSET ALLOCATION

| December 31                | Principal pension plans |                   |      |
|----------------------------|-------------------------|-------------------|------|
|                            | 2007                    | Actual allocation | 2006 |
| U.S. equity securities     | 30–45%                  | 32%               | 38%  |
| Non-U.S. equity securities | 15–25                   | 20                | 21   |
| Debt securities            | 15–32                   | 24                | 22   |
| Real estate                | 4–10                    | 9                 | 5    |
| Private equities           | 5–11                    | 9                 | 7    |
| Other                      | 1–10                    | 6                 | 7    |

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

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

- Short-term securities must generally be rated A1/P1 or better, except for 15% of such securities that may be rated A2/P2.

- Real estate investments may not exceed 25% of total assets.
- Investments in restricted securities that are not freely tradable may not exceed 20% of total assets (actual was 15% of trust assets at December 31, 2007).
- GE stock is subject to a statutory limit at 10% of total trust assets (actual was 5.6% and 6.1% at the end of 2007 and 2006, respectively).

At December 31, 2007, GE Pension Trust assets included exposure to \$975 million of subprime residential mortgage-backed securities. A majority of these assets have received credit ratings of Double A or better from the major rating agencies. Our subprime investment securities were collateralized primarily by pools of individual, direct mortgage loans, not other structured products such as collateralized debt obligations.

| December 31       | Other pension plans (weighted average) |                   |                   |
|-------------------|--|-------------------|-------------------|
|                   | 2007                                   |                   | 2006              |
|                   | Target allocation                      | Actual allocation | Actual allocation |
| Equity securities | 65%                                    | 67%               | 67%               |
| Debt securities   | 28                                     | 25                | 26                |
| Real estate       | 4                                      | 4                 | 3                 |
| Other             | 3                                      | 4                 | 4                 |

#### PENSION ASSET (LIABILITY)

| December 31 (In millions)   | Principal pension plans |          | Other pension plans |           |
|---|-------------------------|----------|---------------------|-----------|
|   | 2007                    | 2006     | 2007                | 2006      |
| Funded status <sup>(a)</sup>  | \$16,753                | \$11,465 | \$(1,603)           | \$(2,599) |
| Pension asset (liability) recorded in the Statement of Financial Position |                         |          |                     |           |
| Pension asset   | \$20,190                | \$15,019 | \$ 258              | \$ 46     |
| Unfunded liabilities  |                         |          |                     |           |
| Due within one year <sup>(b)</sup>  | (111)                   | (106)    | (54)                | (49)      |
| Due after one year <sup>(b)</sup>   | (3,326)                 | (3,448)  | (1,807)             | (2,596)   |
| Net amount recognized   | \$16,753                | \$11,465 | \$(1,603)           | \$(2,599) |
| Amounts recorded in shareowners' equity                                   |                         |          |                     |           |
| Prior service cost  | \$ 2,060                | \$ 831   | \$ 65               | \$ 15     |
| Net actuarial loss (gain)   | (4,974)                 | 2,162    | 654                 | 1,704     |
| Total   | \$ (2,914)              | \$ 2,993 | \$ 719              | \$ 1,719  |

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

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

In 2008, we estimate that we will amortize \$325 million of prior service cost and \$225 million of net actuarial loss for the principal pension plans from shareowners' equity into pension cost. For other pension plans, the estimated prior service cost and net actuarial loss to be amortized over the next fiscal year are \$10 million and \$70 million, respectively. Comparable amortized amounts in 2007, respectively, were \$241 million and \$693 million for principal pension plans and \$6 million and \$163 million for other pension plans.

#### ESTIMATED FUTURE BENEFIT PAYMENTS

| (In millions)           | 2008    | 2009    | 2010    | 2011    | 2012    | 2013-2017 |
|-------------------------|---------|---------|---------|---------|---------|-----------|
| Principal pension plans | \$2,650 | \$2,700 | \$2,750 | \$2,850 | \$2,900 | \$15,600  |
| Other pension plans     | 335     | 345     | 350     | 350     | 375     | 2,025     |

#### Postretirement benefit plans

##### 2007 COST OF POSTRETIREMENT BENEFIT PLANS AND CHANGES IN EQUITY OTHER THAN TRANSACTIONS WITH SHAREOWNERS

| (In millions)   | Total postretirement benefit plans | Retiree benefit plans | Principal pension plans | Other pension plans |
|---|------------------------------------|-----------------------|-------------------------|---------------------|
| Cost of postretirement benefit plans  | \$ 2,580                           | \$1,324               | \$ 755                  | \$ 501              |
| Changes in equity other than transactions with shareowners  |                                    |                       |                         |                     |
| Net actuarial loss (gain)—current year  | \$(7,111)                          | \$ 189                | \$(6,443)               | \$ (857)            |
| Prior service cost—current year   | 5,753                              | 4,257                 | 1,470                   | 26                  |
| Prior service cost amortization   | (850)                              | (603)                 | (241)                   | (6)                 |
| Net actuarial gain (loss) amortization  | (839)                              | 17                    | (693)                   | (163)               |
| Total changes in equity other than transactions with shareowners                                    | (3,047)                            | 3,860                 | (5,907)                 | (1,000)             |
| Cost of postretirement benefit plans and changes in equity other than transactions with shareowners | \$ (467)                           | \$5,184               | \$(5,152)               | \$ (499)            |

#### Note 7

##### Provision for Income Taxes

| (In millions)                  | 2007    | 2006    | 2005     |
|--------------------------------|---------|---------|----------|
| <b>GE</b>                      |         |         |          |
| Current tax expense            | \$2,230 | \$1,849 | \$ 2,797 |
| Deferred tax expense (benefit) |         |         |          |
| from temporary differences     | 564     | 703     | (119)    |
|                                | 2,794   | 2,552   | 2,678    |
| <b>GECS</b>                    |         |         |          |
| Current tax expense            | 1,277   | 391     | 2,090    |
| Deferred tax expense (benefit) |         |         |          |
| from temporary differences     | 59      | 1,007   | (944)    |
|                                | 1,336   | 1,398   | 1,146    |
| <b>CONSOLIDATED</b>            |         |         |          |
| Current tax expense            | 3,507   | 2,240   | 4,887    |
| Deferred tax expense (benefit) |         |         |          |
| from temporary differences     | 623     | 1,710   | (1,063)  |
| Total                          | \$4,130 | \$3,950 | \$ 3,824 |

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

Consolidated U.S. earnings from continuing operations before income taxes were \$8,840 million in 2007, \$9,954 million in 2006 and \$10,296 million in 2005. The corresponding amounts for non-U.S.-based operations were \$17,758 million in 2007, \$13,376 million in 2006 and \$10,882 million in 2005.

Consolidated current tax expense includes amounts applicable to U.S. federal income taxes of \$87 million, \$514 million and \$2,755 million in 2007, 2006 and 2005, respectively, and amounts applicable to non-U.S. jurisdictions of \$3,029 million, \$1,500 million and \$1,910 million in 2007, 2006 and 2005, respectively. Consolidated deferred taxes related to U.S. federal income taxes were expenses of \$769 million and \$1,544 million in 2007 and 2006, respectively, and a benefit of \$238 million in 2005.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as from net operating loss and tax credit carryforwards, and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. We evaluate the recoverability of these future tax deductions by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. 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. See note 20.

Our businesses are subject to a wide variety of U.S. federal, state and foreign tax laws and regulations. Changes to these laws or regulations may affect our tax liability, return on investments and business operations. For example, GE's effective tax rate is reduced because active business income earned and indefinitely reinvested outside the United States is taxed at less than the U.S. rate. A significant portion of this reduction depends upon a provision of U.S. tax law that defers the imposition of U.S. tax on certain active financial services income until that income is repatriated to the United States as a dividend. This provision is consistent with international tax norms and permits U.S. financial services companies to compete more effectively with foreign banks and other foreign financial institutions in global markets. This provision, which is scheduled to expire at the end of 2008, has been scheduled to expire on four previous occasions, and each time it has been extended by Congress. If this provision is not extended, the current U.S. tax imposed on active financial services income earned outside the United States would increase, making it more difficult for U.S. financial services companies to compete in global markets. If this provision were not extended, we expect our effective tax rate to increase after 2010.

We have not provided U.S. deferred taxes on cumulative earnings of non-U.S. affiliates and associated companies that have been reinvested indefinitely. These earnings relate to ongoing operations and, at December 31, 2007, were approximately \$62 billion. Because of the availability of U.S. foreign tax credits, it is not practicable to determine the U.S. federal income tax

liability that would be payable if such earnings were not reinvested indefinitely. Deferred taxes are provided for earnings of non-U.S. affiliates and associated companies when we plan to remit those earnings.

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

As discussed in note 1, on January 1, 2007, we adopted a new accounting standard, FIN 48, *Accounting for Uncertainty in Income Taxes*, resulting in a \$49 million decrease in retained earnings, a \$89 million decrease in goodwill and a \$40 million decrease in income tax liability.

Annually, we file over 6,500 income tax returns in over 250 global taxing jurisdictions. We are under examination or engaged in tax litigation in many of these jurisdictions. During 2007, the IRS completed the audit of our consolidated U.S. income tax returns for 2000–2002. The IRS is currently auditing our consolidated U.S. income tax returns for 2003–2005. In addition, certain other U.S. tax deficiency issues and refund claims for previous years remain unresolved. It is reasonably possible that the 2003–2005 U.S. audit cycle will be completed during the next 12 months, which could result in a decrease in our balance of “unrecognized tax benefits” — that is, the aggregate tax effect of differences between tax return positions and the benefits recognized in our financial statements. We believe that there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to our results of operations, financial position or cash flows. We further believe that we have made adequate provision for all income tax uncertainties.

The balance of unrecognized tax benefits, the amount of related interest and penalties we have provided and what we believe to be the range of reasonably possible changes in the next 12 months, were:

| (In millions)   | 2007        |           |
|---|-------------|-----------|
|   | December 31 | January 1 |
| Unrecognized tax benefits   | \$ 6,331    | \$ 6,806  |
| Portion that, if recognized, would reduce tax expense and effective tax rate <sup>(a)</sup>       | 4,268       | 4,302     |
| Accrued interest on unrecognized tax benefits   | 923         | 1,281     |
| Accrued penalties on unrecognized tax benefits  | 77          | 121       |
| Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months | 0–1,500     | 0–1,900   |
| Portion that, if recognized, would reduce tax expense and effective tax rate <sup>(a)</sup>       | 0–1,250     | 0–900     |

(a) Some portion of such reduction might be reported as discontinued operations.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

| (In millions)                                   | 2007     |
|---|----------|
| Balance at January 1, 2007                      | \$ 6,806 |
| Additions for tax positions of the current year | 434      |
| Additions for tax positions of prior years      | 1,439    |
| Reductions for tax positions of prior years     | (1,939)  |
| Settlements with tax authorities                | (330)    |
| Expiration of the statute of limitations        | (79)     |
| Balance at December 31, 2007                    | \$ 6,331 |

We classify interest on tax deficiencies as interest expense; we classify income tax penalties as provision for income taxes. For the year ended December 31, 2007, \$(279) million of interest expense and \$(34) million of tax expense related to penalties were recognized in the statement of operations.

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

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

|   | Consolidated |        |        | GE     |        |        | GECS   |        |        |
|---|--------------|--------|--------|--------|--------|--------|--------|--------|--------|
|   | 2007         | 2006   | 2005   | 2007   | 2006   | 2005   | 2007   | 2006   | 2005   |
| U.S. federal statutory income tax rate                                  | 35.0%        | 35.0%  | 35.0%  | 35.0%  | 35.0%  | 35.0%  | 35.0%  | 35.0%  | 35.0%  |
| Increase (reduction) in rate resulting from                             |              |        |        |        |        |        |        |        |        |
| Inclusion of after-tax earnings of GECS<br>in before-tax earnings of GE | —            | —      | —      | (17.2) | (16.4) | (15.7) | —      | —      | —      |
| Tax on global activities including exports                              | (15.7)       | (16.7) | (15.4) | (5.0)  | (6.5)  | (5.0)  | (21.2) | (21.1) | (22.2) |
| U.S. business credits   | (1.1)        | (1.4)  | (1.4)  | (0.3)  | (0.4)  | (0.2)  | (1.5)  | (2.2)  | (2.7)  |
| SES transaction   | (2.1)        | —      | —      | —      | —      | —      | (4.0)  | —      | —      |
| All other—net   | (0.6)        | —      | (0.1)  | (1.4)  | (0.1)  | (0.7)  | 1.4    | 0.3    | 1.2    |
|   | (19.5)       | (18.1) | (16.9) | (23.9) | (23.4) | (21.6) | (25.3) | (23.0) | (23.7) |
| Actual income tax rate  | 15.5%        | 16.9%  | 18.1%  | 11.1%  | 11.6%  | 13.4%  | 9.7%   | 12.0%  | 11.3%  |

## Note 8

### Earnings Per Share Information

| (In millions; per-share amounts in dollars)   | 2007      |           | 2006      |           | 2005      |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Diluted   | Basic     | Diluted   | Basic     | Diluted   | Basic     |
| <b>CONSOLIDATED</b>   |           |           |           |           |           |           |
| Earnings from continuing operations for per-share calculation <sup>(a)</sup>          | \$ 22,468 | \$ 22,468 | \$ 19,382 | \$ 19,380 | \$ 17,355 | \$ 17,354 |
| Earnings (loss) from discontinued operations for per-share calculation <sup>(b)</sup> | (260)     | (260)     | 1,362     | 1,362     | (645)     | (634)     |
| Net earnings available for per-share calculation                                      | 22,208    | 22,208    | 20,744    | 20,742    | 16,709    | 16,720    |
| <b>AVERAGE EQUIVALENT SHARES</b>  |           |           |           |           |           |           |
| Shares of GE common stock outstanding   | 10,182    | 10,182    | 10,359    | 10,359    | 10,570    | 10,570    |
| Employee compensation-related shares, including stock options                         | 36        | —         | 35        | —         | 41        | —         |
| Total average equivalent shares   | 10,218    | 10,182    | 10,394    | 10,359    | 10,611    | 10,570    |
| <b>PER-SHARE AMOUNTS</b>  |           |           |           |           |           |           |
| Earnings from continuing operations   | \$ 2.20   | \$ 2.21   | \$ 1.86   | \$ 1.87   | \$ 1.64   | \$ 1.64   |
| Earnings (loss) from discontinued operations  | (0.03)    | (0.03)    | 0.13      | 0.13      | (0.06)    | (0.06)    |
| Net earnings per share  | 2.17      | 2.18      | 2.00      | 2.00      | 1.57      | 1.58      |

(a) Included dividend equivalents of approximately \$1 million in each of the three years ended December 31, 2007.

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

Earnings-per-share amounts are computed independently for earnings from continuing operations, earnings (loss) from discontinued operations and net earnings. As a result, the

sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amounts for net earnings.

**Note 9****Investment Securities**

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.

| December 31 (In millions)                  | 2007            |                        |                         |                      | 2006            |                        |                         |                      |
|--|-----------------|------------------------|-------------------------|----------------------|-----------------|------------------------|-------------------------|----------------------|
|  | Amortized cost  | Gross unrealized gains | Gross unrealized losses | Estimated fair value | Amortized cost  | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| <b>GE</b>                                  |                 |                        |                         |                      |                 |                        |                         |                      |
| Debt—U.S. corporate                        | \$ 301          | \$ 23                  | \$ —                    | \$ 324               | \$ 307          | \$ 24                  | \$ —                    | \$ 331               |
| Equity—available-for-sale                  | 21              | 3                      | (5)                     | 19                   | 10              | 2                      | (1)                     | 11                   |
|  | 322             | 26                     | (5)                     | 343                  | 317             | 26                     | (1)                     | 342                  |
| <b>GECS</b>                                |                 |                        |                         |                      |                 |                        |                         |                      |
| Debt                                       |                 |                        |                         |                      |                 |                        |                         |                      |
| U.S. corporate                             | 21,936          | 725                    | (669)                   | 21,992               | 21,129          | 1,039                  | (202)                   | 21,966               |
| State and municipal                        | 1,106           | 28                     | (8)                     | 1,126                | 826             | 38                     | (4)                     | 860                  |
| Residential mortgage-backed <sup>(a)</sup> | 5,677           | 22                     | (225)                   | 5,474                | 6,476           | 18                     | (21)                    | 6,473                |
| Commercial mortgage-backed                 | 2,930           | 15                     | (49)                    | 2,896                | 2,322           | 18                     | (25)                    | 2,315                |
| Asset-backed                               | 2,307           | 3                      | (89)                    | 2,221                | 2,071           | 5                      | (11)                    | 2,065                |
| Corporate—non-U.S.                         | 1,489           | 47                     | (11)                    | 1,525                | 1,664           | 92                     | (5)                     | 1,751                |
| Government—non-U.S.                        | 1,082           | 70                     | (10)                    | 1,142                | 1,296           | 105                    | (3)                     | 1,398                |
| U.S. government and federal agency         | 832             | 55                     | (37)                    | 850                  | 842             | 47                     | (6)                     | 883                  |
| Retained interests <sup>(b)(c)</sup>       | 5,691           | 178                    | (57)                    | 5,812                | 3,794           | 434                    | (13)                    | 4,215                |
| Equity                                     |                 |                        |                         |                      |                 |                        |                         |                      |
| Available-for-sale                         | 1,524           | 265                    | (120)                   | 1,669                | 4,446           | 1,060                  | (14)                    | 5,492                |
| Trading                                    | 386             | —                      | —                       | 386                  | 54              | —                      | —                       | 54                   |
|  | 44,960          | 1,408                  | (1,275)                 | 45,093               | 44,920          | 2,856                  | (304)                   | 47,472               |
| <b>ELIMINATIONS</b>                        | (7)             | (1)                    | —                       | (8)                  | (7)             | (1)                    | —                       | (8)                  |
| <b>Total</b>                               | <b>\$45,275</b> | <b>\$1,433</b>         | <b>\$(1,280)</b>        | <b>\$45,428</b>      | <b>\$45,230</b> | <b>\$2,881</b>         | <b>\$(305)</b>          | <b>\$47,806</b>      |

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

(b) Included \$2,339 million of retained interests at December 31, 2007, accounted for in accordance with SFAS 155, *Accounting for Certain Hybrid Financial Instruments*. See note 27.

(c) Amortized cost and estimated fair value included \$25 million of trading securities at December 31, 2007.

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

| December 31 (In millions)          | In loss position for |                         |                      |                         |
|------------------------------------|----------------------|-------------------------|----------------------|-------------------------|
|                                    | Less than 12 months  |                         | 12 months or more    |                         |
|                                    | Estimated fair value | Gross unrealized losses | Estimated fair value | Gross unrealized losses |
| <b>2007</b>                        |                      |                         |                      |                         |
| <b>Debt</b>                        |                      |                         |                      |                         |
| U.S. corporate                     | \$ 5,766             | \$(274)                 | \$ 4,341             | \$(395)                 |
| State and municipal                | 198                  | (3)                     | 131                  | (5)                     |
| Residential mortgage-backed        | 3,268                | (160)                   | 1,223                | (65)                    |
| Commercial mortgage-backed         | 1,483                | (33)                    | 848                  | (16)                    |
| Asset-backed                       | 1,417                | (62)                    | 478                  | (27)                    |
| Corporate—non-U.S.                 | 505                  | (8)                     | 124                  | (3)                     |
| Government—non-U.S.                | 29                   | (1)                     | 311                  | (9)                     |
| U.S. government and federal agency | 255                  | (37)                    | —                    | —                       |
| Retained interests                 | 548                  | (50)                    | 10                   | (7)                     |
| Equity                             | 443                  | (105)                   | 18                   | (20)                    |
| <b>Total</b>                       | <b>\$13,912</b>      | <b>\$(733)</b>          | <b>\$ 7,484</b>      | <b>\$(547)</b>          |
| <b>2006</b>                        |                      |                         |                      |                         |
| <b>Debt</b>                        |                      |                         |                      |                         |
| U.S. corporate                     | \$ 2,483             | \$(52)                  | \$ 4,242             | \$(150)                 |
| State and municipal                | 149                  | (2)                     | 70                   | (2)                     |
| Residential mortgage-backed        | 1,149                | (3)                     | 776                  | (18)                    |
| Commercial mortgage-backed         | 442                  | (2)                     | 1,010                | (23)                    |
| Asset-backed                       | 260                  | (2)                     | 611                  | (9)                     |
| Corporate—non-U.S.                 | 112                  | (3)                     | 93                   | (2)                     |
| Government—non-U.S.                | 33                   | (3)                     | —                    | —                       |
| U.S. government and federal agency | 66                   | (1)                     | 247                  | (5)                     |
| Retained interests                 | 360                  | (12)                    | 13                   | (1)                     |
| Equity                             | 40                   | (12)                    | 3,895                | (3)                     |
| <b>Total</b>                       | <b>\$ 5,094</b>      | <b>\$(92)</b>           | <b>\$10,957</b>      | <b>\$(213)</b>          |

At December 31, 2007, we held mortgage-backed securities (MBS) and asset-backed securities (ABS) with estimated fair values of \$8,370 million and \$2,221 million, respectively. Such amounts included unrealized losses of \$274 million and \$89 million, respectively. These amounts excluded retained interests in securitization entities. See note 27. Of the MBS amount, \$5,474 million and \$2,896 million related to residential MBS and commercial MBS, respectively. At December 31, 2007, we had approximately \$1,635 million 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 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. We have the ability to hold our debt securities until their maturities. Our subprime investment securities were collateralized primarily by pools of individual, direct mortgage loans, not other structured products such as collateralized debt obligations.

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

| (In millions)  | Amortized cost | Estimated fair value |
|----------------|----------------|----------------------|
| Due in         |                |                      |
| 2008           | \$ 1,830       | \$ 1,831             |
| 2009–2012      | 4,227          | 4,245                |
| 2013–2017      | 3,580          | 3,607                |
| 2018 and later | 16,808         | 16,952               |

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

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

| (In millions)                 | 2007          | 2006          | 2005          |
|-------------------------------|---------------|---------------|---------------|
| <b>GE</b>                     |               |               |               |
| Gains                         | \$ 5          | \$ 125        | \$ 6          |
| Losses, including impairments | —             | (1)           | (5)           |
| Net                           | 5             | 124           | 1             |
| <b>GECS</b>                   |               |               |               |
| Gains <sup>(a)</sup>          | 1,026         | 313           | 509           |
| Losses, including impairments | (141)         | (181)         | (132)         |
| Net                           | 885           | 132           | 377           |
| <b>Total</b>                  | <b>\$ 890</b> | <b>\$ 256</b> | <b>\$ 378</b> |

(a) Included gain on sale of Swiss Re common stock of \$566 million in 2007.

In the ordinary course of managing our investment securities portfolio, we may sell securities prior to their maturities for a variety of reasons, including diversification, credit quality, yield and liquidity requirements and the funding of claims and obligations to policyholders.

Proceeds from investment securities sales amounted to \$18,993 million, \$12,394 million and \$14,047 million in 2007, 2006 and 2005, respectively, principally from the short-term nature of the investments that support the guaranteed investment contracts portfolio and the 2007 sale of Swiss Re common stock.

We recognized pre-tax gains on trading securities of \$292 million, \$5 million and \$3 million in 2007, 2006 and 2005, respectively. Investments in retained interests decreased by \$106 million during 2007, reflecting declines in fair value accounted for in accordance with SFAS 155.

**Note 10****Current Receivables**

| December 31 (In millions)        | Consolidated <sup>(a)</sup> |          | GE       |          |
|----------------------------------|-----------------------------|----------|----------|----------|
|                                  | 2007                        | 2006     | 2007     | 2006     |
| Infrastructure                   | \$10,984                    | \$ 8,567 | \$ 8,754 | \$ 6,524 |
| Healthcare                       | 4,531                       | 4,441    | 2,343    | 2,897    |
| NBC Universal                    | 3,800                       | 3,354    | 2,927    | 3,070    |
| Industrial                       | 2,937                       | 3,545    | 910      | 1,391    |
| Corporate items and eliminations | 526                         | 220      | 642      | 364      |
|                                  | 22,778                      | 20,127   | 15,576   | 14,246   |
| Less allowance for losses        | (519)                       | (510)    | (483)    | (480)    |
| Total                            | \$22,259                    | \$19,617 | \$15,093 | \$13,766 |

(a) Included GE industrial customer receivables factored through a GECS affiliate and reported as financing receivables by GECS.

GE receivables balances at December 31, 2007 and 2006, before allowance for losses, included \$11,008 million and \$8,845 million, respectively, from sales of goods and services to customers, and \$381 million and \$175 million at December 31, 2007 and 2006, respectively, from transactions with associated companies.

GE current receivables of \$252 million and \$248 million at December 31, 2007 and 2006, respectively, arose from sales, principally of Aviation goods and services on open account to various agencies of the U.S. government, our largest single customer. About 4% of our sales of goods and services were to the U.S. government in 2007, 2006 and 2005.

**Note 11****Inventories**

| December 31 (In millions)         | 2007     | 2006     |
|-----------------------------------|----------|----------|
| <b>GE</b>                         |          |          |
| Raw materials and work in process | \$ 7,893 | \$ 5,870 |
| Finished goods                    | 5,025    | 4,263    |
| Unbilled shipments                | 539      | 409      |
|                                   | 13,457   | 10,542   |
| Less revaluation to LIFO          | (623)    | (564)    |
|                                   | 12,834   | 9,978    |
| <b>GECS</b>                       |          |          |
| Finished goods                    | 63       | 54       |
| Total                             | \$12,897 | \$10,032 |

**Note 12****GECS Financing Receivables (investments in loans and financing leases)**

| December 31 (In millions)                              | 2007      | 2006      |
|--|-----------|-----------|
| Loans, net of deferred income                          | \$314,918 | \$264,039 |
| Investment in financing leases, net of deferred income | 75,015    | 68,569    |
|  | 389,933   | 332,608   |
| Less allowance for losses (note 13)                    | (4,329)   | (4,019)   |
| Financing receivables — net                            | \$385,604 | \$328,589 |

Included in the above are \$9,708 million and \$11,509 million of the financing receivables of consolidated, liquidating securitization entities at December 31, 2007 and 2006, respectively.

Details of financing receivables — net follow.

| December 31 (In millions)                     | 2007      | 2006      |
|---|-----------|-----------|
| <b>COMMERCIAL FINANCE</b>                     |           |           |
| Equipment and leasing                         | \$ 89,239 | \$ 76,057 |
| Commercial and industrial                     | 58,853    | 50,186    |
| Real estate                                   | 39,816    | 27,944    |
|   | 187,908   | 154,187   |
| <b>GE MONEY</b>                               |           |           |
| Non-U.S. residential mortgages <sup>(a)</sup> | 73,759    | 58,237    |
| Non-U.S. installment and revolving credit     | 33,924    | 29,976    |
| U.S. installment and revolving credit         | 29,570    | 29,007    |
| Non-U.S. auto                                 | 27,368    | 25,088    |
| Other   | 10,198    | 8,059     |
|   | 174,819   | 150,367   |
| <b>INFRASTRUCTURE<sup>(b)</sup></b>           | 22,095    | 21,200    |
| <b>OTHER<sup>(c)</sup></b>                    | 5,111     | 6,854     |
|   | 389,933   | 332,608   |
| Less allowance for losses                     | (4,329)   | (4,019)   |
| Total   | \$385,604 | \$328,589 |

(a) At December 31, 2007, net of credit insurance, approximately 26% of this portfolio comprised loans with introductory, below market rates that are scheduled to adjust at future dates; with high loan-to-value ratios at inception; whose terms permitted interest-only payments; or whose terms resulted in negative amortization.

(b) Included loans and financing leases of \$11,685 million and \$11,165 million at December 31, 2007 and 2006, respectively, related to commercial aircraft at Aviation Financial Services and loans and financing leases of \$7,898 million and \$7,574 million at December 31, 2007 and 2006, respectively, related to Energy Financial Services.

(c) Included loans and financing leases of \$5,106 million and \$6,853 million at December 31, 2007 and 2006, respectively, related to certain consolidated, liquidating securitization entities.

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

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

For federal income tax purposes, the leveraged leases and the majority of the direct financing leases are leases in which GECS depreciates the leased assets and is taxed upon the accrual of rental income. Certain direct financing leases are loans for federal income tax purposes in which GECS is taxable only on the portion of each payment that constitutes interest, unless the interest is tax-exempt (e.g., certain obligations of state governments).

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

For federal income tax purposes, GECS is entitled to deduct the interest expense accruing on nonrecourse financing related to leveraged leases.

### NET INVESTMENT IN FINANCING LEASES

| December 31 (In millions)                                   | Total financing leases |           | Direct financing leases <sup>(a)</sup> |           | Leveraged leases <sup>(b)</sup> |           |
|---|------------------------|-----------|--|-----------|---------------------------------|-----------|
|   | 2007                   | 2006      | 2007                                   | 2006      | 2007                            | 2006      |
| Total minimum lease payments receivable                     | \$ 92,137              | \$ 88,598 | \$ 72,399                              | \$ 64,637 | \$ 19,738                       | \$ 23,961 |
| Less principal and interest on third-party nonrecourse debt | (14,102)               | (17,309)  | —                                      | —         | (14,102)                        | (17,309)  |
| Net rentals receivable                                      | 78,035                 | 71,289    | 72,399                                 | 64,637    | 5,636                           | 6,652     |
| Estimated unguaranteed residual value of leased assets      | 10,306                 | 10,062    | 7,500                                  | 7,068     | 2,806                           | 2,994     |
| Less deferred income  | (13,326)               | (12,782)  | (10,650)                               | (9,634)   | (2,676)                         | (3,148)   |
| Investment in financing leases, net of deferred income      | 75,015                 | 68,569    | 69,249                                 | 62,071    | 5,766                           | 6,498     |
| Less amounts to arrive at net investment                    |                        |           |  |           |                                 |           |
| Allowance for losses  | (571)                  | (392)     | (559)                                  | (370)     | (12)                            | (22)      |
| Deferred taxes  | (7,089)                | (8,314)   | (2,654)                                | (3,410)   | (4,435)                         | (4,904)   |
| Net investment in financing leases                          | \$ 67,355              | \$ 59,863 | \$ 66,036                              | \$ 58,291 | \$ 1,319                        | \$ 1,572  |

(a) Included \$802 million and \$665 million of initial direct costs on direct financing leases at December 31, 2007 and 2006, respectively.

(b) Included pre-tax income of \$412 million and \$306 million and income tax of \$156 million and \$115 million during 2007 and 2006, respectively. Net investment credits recognized on leveraged leases during 2007 and 2006 were inconsequential.

### CONTRACTUAL MATURITIES

| (In millions)  | Total loans | Net rentals receivable |
|----------------|-------------|------------------------|
| Due in         |             |                        |
| 2008           | \$ 94,720   | \$ 22,455              |
| 2009           | 36,401      | 15,534                 |
| 2010           | 28,258      | 12,057                 |
| 2011           | 21,267      | 8,778                  |
| 2012           | 19,364      | 5,435                  |
| 2013 and later | 114,908     | 13,776                 |
| Total          | \$314,918   | \$78,035               |

We expect actual maturities to differ from contractual maturities.

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

| December 31 (In millions)                            | 2007    | 2006    |
|--|---------|---------|
| Loans requiring allowance for losses                 | \$1,004 | \$1,147 |
| Loans expected to be fully recoverable               | 391     | 497     |
|  | \$1,395 | \$1,644 |
| Allowance for losses                                 | \$ 366  | \$ 393  |
| Average investment during year                       | 1,594   | 1,687   |
| Interest income earned while impaired <sup>(a)</sup> | 19      | 34      |

(a) Recognized principally on cash basis.

**Note 13****GECS Allowance for Losses on Financing Receivables**

| (In millions)                          | 2007            | 2006            | 2005            |
|--|-----------------|-----------------|-----------------|
| <b>BALANCE AT JANUARY 1</b>            |                 |                 |                 |
| Commercial Finance                     | \$ 896          | \$ 1,117        | \$ 1,587        |
| GE Money                               |                 |                 |                 |
| U.S.                                   | 909             | 735             | 833             |
| Non-U.S.                               | 2,146           | 1,912           | 2,017           |
| Infrastructure                         | 44              | 220             | 583             |
| Other                                  | 24              | 22              | 5               |
|  | <b>4,019</b>    | <b>4,006</b>    | <b>5,025</b>    |
| <b>PROVISION CHARGED TO OPERATIONS</b> |                 |                 |                 |
| Commercial Finance                     | 525             | 119             | 276             |
| GE Money                               |                 |                 |                 |
| U.S.                                   | 2,032           | 1,226           | 1,183           |
| Non-U.S.                               | 1,974           | 1,832           | 1,552           |
| Infrastructure                         | 6               | (64)            | 210             |
| Other                                  | 9               | 17              | 18              |
|  | <b>4,546</b>    | <b>3,130</b>    | <b>3,239</b>    |
| <b>SECURITIZATION</b>                  | <b>(800)</b>    | <b>(195)</b>    | <b>(277)</b>    |
| <b>OTHER</b>                           | <b>360</b>      | <b>200</b>      | <b>(147)</b>    |
| <b>GROSS WRITE-OFFS</b>                |                 |                 |                 |
| Commercial Finance                     | (677)           | (563)           | (901)           |
| GE Money                               |                 |                 |                 |
| U.S.                                   | (1,584)         | (1,111)         | (1,264)         |
| Non-U.S.                               | (3,334)         | (2,990)         | (2,532)         |
| Infrastructure                         | (23)            | (112)           | (572)           |
| Other                                  | (17)            | (29)            | (39)            |
|  | <b>(5,635)</b>  | <b>(4,805)</b>  | <b>(5,308)</b>  |
| <b>RECOVERIES</b>                      |                 |                 |                 |
| Commercial Finance                     | 149             | 194             | 187             |
| GE Money                               |                 |                 |                 |
| U.S.                                   | 369             | 275             | 258             |
| Non-U.S.                               | 1,319           | 1,212           | 1,025           |
| Infrastructure                         | —               | —               | —               |
| Other                                  | 2               | 2               | 4               |
|  | <b>1,839</b>    | <b>1,683</b>    | <b>1,474</b>    |
| <b>BALANCE AT DECEMBER 31</b>          |                 |                 |                 |
| Commercial Finance                     | 1,105           | 896             | 1,117           |
| GE Money                               |                 |                 |                 |
| U.S.                                   | 1,024           | 909             | 735             |
| Non-U.S.                               | 2,155           | 2,146           | 1,912           |
| Infrastructure                         | 27              | 44              | 220             |
| Other                                  | 18              | 24              | 22              |
| <b>Total</b>                           | <b>\$ 4,329</b> | <b>\$ 4,019</b> | <b>\$ 4,006</b> |

See note 12 for amounts related to consolidated, liquidating securitization entities.

**SELECTED FINANCING RECEIVABLES RATIOS**

| December 31   | 2007        | 2006        |
|---|-------------|-------------|
| <b>ALLOWANCE FOR LOSSES ON FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES</b> |             |             |
| Commercial Finance  | 0.59%       | 0.58%       |
| GE Money  | 1.82        | 2.03        |
| U.S.  | 3.43        | 3.09        |
| Non-U.S.  | 1.49        | 1.77        |
| Infrastructure  | 0.12        | 0.21        |
| Other   | 0.35        | 0.35        |
| <b>Total</b>  | <b>1.11</b> | <b>1.21</b> |
| <b>NONEARNING FINANCING RECEIVABLES AS A PERCENTAGE OF TOTAL FINANCING RECEIVABLES</b>              |             |             |
| Commercial Finance  | 0.9%        | 1.0%        |
| GE Money  | 2.1         | 2.1         |
| U.S.  | 1.8         | 1.7         |
| Non-U.S.  | 2.2         | 2.2         |
| Infrastructure  | —           | —           |
| Other   | 1.4         | 1.2         |
| <b>Total</b>  | <b>1.4</b>  | <b>1.5</b>  |

**Note 14****Property, Plant and Equipment**

| December 31 (Dollars in millions)                                  | Estimated<br>useful lives-<br>new (years) | 2007             | 2006             |
|--|---|------------------|------------------|
| <b>ORIGINAL COST</b>   |   |                  |                  |
| <b>GE</b>  |   |                  |                  |
| Land and improvements  | 8 <sup>(a)</sup>                          | \$ 698           | \$ 523           |
| Buildings, structures and related equipment                        | 8-40                                      | 8,400            | 7,448            |
| Machinery and equipment  | 4-20                                      | 20,129           | 19,091           |
| Leasehold costs and manufacturing plant under construction         | 1-10                                      | 2,121            | 1,928            |
|  |   | <b>31,348</b>    | <b>28,990</b>    |
| <b>GECS<sup>(b)</sup></b>  |   |                  |                  |
| Land and improvements, buildings, structures and related equipment | 2-40 <sup>(a)</sup>                       | 6,083            | 5,027            |
| Equipment leased to others   |   |                  |                  |
| Aircraft   | 20  | 37,271           | 36,146           |
| Vehicles   | 1-14                                      | 32,079           | 26,937           |
| Mobile equipment   | 12-25                                     | 2,964            | 4,059            |
| Railroad rolling stock   | 5-36                                      | 3,866            | 3,509            |
| Construction and manufacturing                                     | 2-25                                      | 3,031            | 1,932            |
| All other  | 2-40                                      | 2,961            | 2,771            |
|  |   | <b>88,255</b>    | <b>80,381</b>    |
| <b>Total</b>   |   | <b>\$119,603</b> | <b>\$109,371</b> |
| <b>NET CARRYING VALUE</b>  |   |                  |                  |
| <b>GE</b>  |   |                  |                  |
| Land and improvements  |   | \$ 612           | \$ 457           |
| Buildings, structures and related equipment                        |   | 4,101            | 3,284            |
| Machinery and equipment  |   | 7,634            | 7,317            |
| Leasehold costs and manufacturing plant under construction         |   | 1,795            | 1,617            |
|  |   | <b>14,142</b>    | <b>12,675</b>    |
| <b>GECS<sup>(b)</sup></b>  |   |                  |                  |
| Land and improvements, buildings, structures and related equipment |   | 3,710            | 2,759            |
| Equipment leased to others   |   |                  |                  |
| Aircraft <sup>(c)</sup>  |   | 30,414           | 29,886           |
| Vehicles   |   | 20,701           | 17,132           |
| Mobile equipment   |   | 1,976            | 2,546            |
| Railroad rolling stock   |   | 2,789            | 2,395            |
| Construction and manufacturing                                     |   | 2,055            | 1,291            |
| All other  |   | 2,108            | 1,966            |
|  |   | <b>63,753</b>    | <b>57,975</b>    |
| <b>Total</b>   |   | <b>\$ 77,895</b> | <b>\$ 70,650</b> |

(a) Estimated useful lives exclude land.

(b) Included \$1,513 million and \$1,763 million of original cost of assets leased to GE with accumulated amortization of \$315 million and \$293 million at December 31, 2007 and 2006, respectively.

(c) The Aviation Financial Services business of Infrastructure recognized impairment losses of \$110 million in 2007 and \$51 million in 2006 recorded in the caption "Other costs and expenses" in the Statement of Earnings to reflect adjustments to fair value based on current market values from independent appraisers.

Amortization of GECS equipment leased to others was \$7,222 million, \$5,839 million and \$5,642 million in 2007, 2006 and 2005, respectively. Noncancellable future rentals due from customers for equipment on operating leases at December 31, 2007, are as follows:

| (In millions)  |                 |
|----------------|-----------------|
| Due in         |                 |
| 2008           | \$12,423        |
| 2009           | 7,594           |
| 2010           | 6,024           |
| 2011           | 4,601           |
| 2012           | 3,582           |
| 2013 and later | 10,709          |
| <b>Total</b>   | <b>\$44,933</b> |

**Note 15****Goodwill and Other Intangible Assets**

| December 31 (In millions) | 2007            | 2006            |
|---------------------------|-----------------|-----------------|
| <b>GOODWILL</b>           |                 |                 |
| GE                        | \$55,689        | \$48,645        |
| GECS                      | 25,427          | 22,754          |
| <b>Total</b>              | <b>\$81,116</b> | <b>\$71,399</b> |

| December 31 (In millions)                         | 2007            | 2006            |
|---|-----------------|-----------------|
| <b>OTHER INTANGIBLE ASSETS</b>                    |                 |                 |
| <b>GE</b>   |                 |                 |
| Intangible assets subject to amortization         | \$ 9,278        | \$ 7,461        |
| Indefinite-lived intangible assets <sup>(a)</sup> | 2,355           | 2,278           |
|   | <b>11,633</b>   | <b>9,739</b>    |
| <b>GECS</b>                                       |                 |                 |
| Intangible assets subject to amortization         | 4,545           | 3,176           |
| <b>Total</b>                                      | <b>\$16,178</b> | <b>\$12,915</b> |

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

Changes in goodwill balances follow.

| (In millions)      | 2007                             |  |  |                        | 2006                 |  |  |                        |
|--------------------|----------------------------------|--|--|------------------------|----------------------|--|--|------------------------|
|                    | Balance January 1 <sup>(a)</sup> | Acquisitions/<br>purchase<br>accounting<br>adjustments | Dispositions,<br>currency<br>exchange<br>and other | Balance<br>December 31 | Balance<br>January 1 | Acquisitions/<br>purchase<br>accounting<br>adjustments | Dispositions,<br>currency<br>exchange<br>and other | Balance<br>December 31 |
| Infrastructure     | \$10,931                         | \$6,069  | \$ 117   | \$17,117               | \$10,166             | \$ 590   | \$ 175   | \$10,931               |
| Commercial Finance | 12,745                           | 1,568  | 308  | 14,621                 | 12,027               | 566  | 152  | 12,745                 |
| GE Money           | 9,845                            | 2  | 426  | 10,273                 | 9,184                | 309  | 352  | 9,845                  |
| Healthcare         | 14,759                           | 26   | 42   | 14,827                 | 13,404               | 1,396  | 48   | 14,848                 |
| NBC Universal      | 18,000                           | 733  | —  | 18,733                 | 17,534               | 838  | (372)  | 18,000                 |
| Industrial         | 5,030                            | 361  | 154  | 5,545                  | 4,505                | 537  | (12)   | 5,030                  |
| <b>Total</b>       | <b>\$71,310</b>                  | <b>\$8,759</b>   | <b>\$1,047</b>                                     | <b>\$81,116</b>        | <b>\$66,820</b>      | <b>\$4,236</b>   | <b>\$ 343</b>                                      | <b>\$71,399</b>        |

(a) January 1, 2007, balance decreased by \$89 million related to new accounting standards. See note 1.

Goodwill balances increased \$9,028 million in 2007 as a result of new acquisitions. The largest goodwill balance increases arose from acquisitions of Smiths Aerospace Group Ltd. (\$3,877 million) and Vetco Gray (\$1,379 million) by Infrastructure; 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. (\$694 million) by Commercial Finance; Oxygen Media (\$604 million) by NBC Universal; and Sanyo Electric Credit Co., Ltd. (\$548 million) by Commercial Finance. The goodwill balance declined by \$269 million related to purchase accounting adjustments to prior-year acquisitions during 2007.

Goodwill balances increased \$4,430 million in 2006 as a result of new acquisitions. The largest goodwill balance increases arose from acquisitions of IDX Systems Corporation (\$1,133 million) and Biacore International AB (\$308 million) by Healthcare; iVillage Inc. (\$521 million) by NBC Universal; ZENON Environmental Inc. (\$506 million) by Infrastructure; and Banque Artesia Nederland N.V., a subsidiary of Dexia Group (\$340 million) and the custom fleet business of National Australia Bank Ltd. (\$306 million) by Commercial Finance. Goodwill declined in 2006 as a result of the sale of television stations (\$304 million) by NBC Universal. The goodwill balance also declined by \$194 million related to purchase accounting adjustments to prior-year acquisitions during 2006.

Upon closing an acquisition, we estimate the fair values of assets and liabilities acquired and consolidate the acquisition as quickly as possible. Given the time it takes to obtain pertinent information to finalize the acquired company's balance sheet, then to adjust the acquired company's accounting policies, procedures, books and records to our standards, it is often several quarters before we are able to finalize those initial fair value estimates. Accordingly, it is not uncommon for our initial estimates to be subsequently revised.

#### INTANGIBLE ASSETS SUBJECT TO AMORTIZATION

| December 31 (In millions)        | Gross<br>carrying<br>amount | Accumulated<br>amortization | Net            |
|----------------------------------|-----------------------------|-----------------------------|----------------|
| <b>GE</b>                        |                             |                             |                |
| <b>2007</b>                      |                             |                             |                |
| Customer-related                 | \$ 4,526                    | \$ (698)                    | \$3,828        |
| Patents, licenses and trademarks | 4,561                       | (1,369)                     | 3,192          |
| Capitalized software             | 4,573                       | (2,589)                     | 1,984          |
| All other                        | 436                         | (162)                       | 274            |
| <b>Total</b>                     | <b>\$14,096</b>             | <b>\$(4,818)</b>            | <b>\$9,278</b> |
| <b>2006</b>                      |                             |                             |                |
| Customer-related                 | \$ 2,853                    | \$ (484)                    | \$2,369        |
| Patents, licenses and trademarks | 4,242                       | (1,071)                     | 3,171          |
| Capitalized software             | 4,184                       | (2,467)                     | 1,717          |
| All other                        | 313                         | (109)                       | 204            |
| <b>Total</b>                     | <b>\$11,592</b>             | <b>\$(4,131)</b>            | <b>\$7,461</b> |
| <b>GECS</b>                      |                             |                             |                |
| <b>2007</b>                      |                             |                             |                |
| Customer-related                 | \$ 2,185                    | \$ (867)                    | \$1,318        |
| Patents, licenses and trademarks | 602                         | (315)                       | 287            |
| Capitalized software             | 1,857                       | (1,105)                     | 752            |
| Lease valuations                 | 1,909                       | (376)                       | 1,533          |
| Present value of future profits  | 818                         | (364)                       | 454            |
| All other                        | 350                         | (149)                       | 201            |
| <b>Total</b>                     | <b>\$ 7,721</b>             | <b>\$(3,176)</b>            | <b>\$4,545</b> |
| <b>2006</b>                      |                             |                             |                |
| Customer-related                 | \$ 1,410                    | \$ (654)                    | \$ 756         |
| Patents, licenses and trademarks | 413                         | (265)                       | 148            |
| Capitalized software             | 1,645                       | (965)                       | 680            |
| Lease valuations                 | 851                         | (132)                       | 719            |
| Present value of future profits  | 829                         | (297)                       | 532            |
| All other                        | 500                         | (159)                       | 341            |
| <b>Total</b>                     | <b>\$ 5,648</b>             | <b>\$(2,472)</b>            | <b>\$3,176</b> |

During 2007, we recorded additions to intangible assets subject to amortization of \$4,286 million. The components of finite-lived intangible assets acquired during 2007 and their respective weighted-average useful lives are: \$2,277 million—Customer-related (17.5 years); \$299 million—Patents, licenses and trademarks (20.2 years); \$590 million—Capitalized software (4.2 years); \$992 million—Lease valuations (7.6 years); and \$128 million—All other (9.9 years).

Consolidated amortization related to intangible assets subject to amortization was \$2,080 million and \$1,744 million for 2007 and 2006, respectively. We estimate that annual pre-tax amortization for intangible assets subject to amortization over the next five calendar years to be as follows: 2008—\$1,969 million; 2009—\$1,804 million; 2010—\$1,635 million; 2011—\$1,470 million; 2012—\$1,320 million.

## Note 16

### All Other Assets

| December 31 (In millions)              | 2007             | 2006            |
|--|------------------|-----------------|
| <b>GE</b>                              |                  |                 |
| Investments                            |                  |                 |
| Associated companies                   | \$ 1,871         | \$ 1,543        |
| Other <sup>(a)</sup>                   | 1,243            | 733             |
|  | 3,114            | 2,276           |
| Pension asset—principal plans          | 20,190           | 15,019          |
| Contract costs and estimated earnings  | 5,983            | 5,164           |
| Film and television costs              | 4,143            | 3,646           |
| Long-term receivables, including notes | 2,331            | 2,892           |
| Derivative instruments                 | 279              | 193             |
| Other                                  | 4,568            | 4,252           |
|  | 40,608           | 33,442          |
| <b>GECS</b>                            |                  |                 |
| Investments                            |                  |                 |
| Real estate <sup>(b)</sup>             | 40,488           | 27,252          |
| Associated companies                   | 17,026           | 12,053          |
| Assets held for sale <sup>(c)</sup>    | 10,690           | 7,738           |
| Cost method <sup>(d)</sup>             | 2,742            | 2,348           |
| Other                                  | 1,020            | 931             |
|  | 71,966           | 50,322          |
| Derivative instruments                 | 3,271            | 1,981           |
| Advances to suppliers                  | 2,046            | 1,714           |
| Deferred acquisition costs             | 1,282            | 1,380           |
| Other                                  | 4,840            | 3,990           |
|  | 83,405           | 59,387          |
| <b>ELIMINATIONS</b>                    | <b>(1,152)</b>   | <b>(1,178)</b>  |
| <b>Total</b>                           | <b>\$122,861</b> | <b>\$91,651</b> |

(a) The fair value of and unrealized loss on cost method investments in a continuous loss position at December 31, 2007 and 2006, were insignificant.

(b) GECS investment in real estate consisted principally of two categories: real estate held for investment and equity method investments. Both categories contained a wide range of properties including the following at December 31, 2007: office buildings (49%), apartment buildings (14%), industrial properties (11%), retail facilities (9%), franchise properties (7%), parking facilities (2%) and other (8%). At December 31, 2007, investments were located in the Americas (48%), Europe (33%) and Asia (19%).

(c) Assets were classified as held for sale on the date a decision was made to dispose of them through sale, securitization or other means. Such assets consisted primarily of real estate properties and credit card receivables, and were accounted for at the lower of carrying amount or estimated fair value less costs to sell. These amounts are net of valuation allowances of \$153 million and \$3 million at December 31, 2007 and 2006, respectively.

(d) The fair value of and unrealized loss on those investments in a continuous loss position for less than 12 months at December 31, 2007, were \$546 million and \$93 million, respectively, which included \$282 million fair value and \$15 million unrealized losses related to our investment in FGIC Corporation (FGIC) preferred stock and \$36 million fair value and \$29 million unrealized losses related to our investment in FGIC common stock. The fair value of and unrealized loss on those investments in a continuous loss position for 12 months or more at December 31, 2007, were \$18 million and \$8 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for less than 12 months at December 31, 2006, were \$113 million and \$25 million, respectively. The fair value of and unrealized loss on those investments in a continuous loss position for 12 months or more at December 31, 2006, were \$38 million and \$8 million, respectively.

**Note 17****Borrowings****SHORT-TERM BORROWINGS**

| December 31 (Dollars in millions)                | 2007             |                             | 2006             |                             |
|--|------------------|-----------------------------|------------------|-----------------------------|
|  | Amount           | Average rate <sup>(a)</sup> | Amount           | Average rate <sup>(a)</sup> |
| <b>GE</b>  |                  |                             |                  |                             |
| Commercial paper                                 |                  |                             |                  |                             |
| U.S.   | \$ 1,798         | 4.73%                       | \$ 1,097         | 5.35%                       |
| Non-U.S.   | 1                | 4.00                        | 1                | 3.74                        |
| Payable to banks                                 | 189              | 5.07                        | 184              | 5.61                        |
| Current portion of long-term debt                | 1,547            | 5.36                        | 32               | 5.32                        |
| Other  | 571              |                             | 762              |                             |
|  | <b>4,106</b>     |                             | <b>2,076</b>     |                             |
| <b>GECS</b>                                      |                  |                             |                  |                             |
| Commercial paper                                 |                  |                             |                  |                             |
| U.S.   |                  |                             |                  |                             |
| Unsecured  | 72,392           | 4.69                        | 67,423           | 5.37                        |
| Asset-backed <sup>(b)</sup>                      | 4,775            | 4.94                        | 6,430            | 5.35                        |
| Non-U.S.   | 28,711           | 4.99                        | 26,328           | 4.38                        |
| Current portion of long-term debt <sup>(c)</sup> | 56,302           | 5.01                        | 44,550           | 4.86                        |
| Bank deposits <sup>(d)</sup>                     | 11,486           | 3.04                        | 9,731            | 3.50                        |
| GE Interest Plus notes <sup>(e)</sup>            | 9,590            | 5.23                        | 9,161            | 5.43                        |
| Other  | 9,165            |                             | 9,690            |                             |
|  | <b>192,421</b>   |                             | <b>173,313</b>   |                             |
| <b>ELIMINATIONS</b>                              | <b>(1,426)</b>   |                             | <b>(3,376)</b>   |                             |
| <b>Total</b>                                     | <b>\$195,101</b> |                             | <b>\$172,013</b> |                             |

(a) Based on year-end balances and year-end local currency interest rates. Current portion of long-term debt included the effects of related interest rate and currency swaps, if any, directly associated with the original debt issuance.

(b) Entirely obligations of consolidated, liquidating securitization entities. See note 12.

(c) Included \$1,106 million of asset-backed, liquidating securitization entities at December 31, 2007 and none at December 31, 2006.

(d) Included \$10,789 million and \$9,731 million of deposits in non-U.S. banks at December 31, 2007 and 2006, respectively.

(e) Entirely variable denomination floating rate demand notes.

**LONG-TERM BORROWINGS**

| December 31 (Dollars in millions)              | 2007<br>Average rate <sup>(a)</sup> | Maturities | 2007             | 2006             |
|--|-------------------------------------|------------|------------------|------------------|
|  |                                     |            |                  |                  |
| <b>GE</b>                                      |                                     |            |                  |                  |
| Senior notes                                   | 5.11%                               | 2013–2017  | \$ 8,957         | \$ 6,488         |
| Industrial development/pollution control bonds | 3.69                                | 2011–2027  | 266              | 265              |
| Payable to banks, principally U.S.             | 5.90                                | 2009–2023  | 1,988            | 1,836            |
| Other <sup>(b)</sup>                           |                                     |            | 445              | 454              |
|  |                                     |            | <b>11,656</b>    | <b>9,043</b>     |
| <b>GECS</b>                                    |                                     |            |                  |                  |
| Senior notes                                   |                                     |            |                  |                  |
| Unsecured                                      | 5.23                                | 2009–2055  | 283,099          | 235,942          |
| Asset-backed <sup>(c)</sup>                    | 5.13                                | 2009–2035  | 5,528            | 5,810            |
| Extendible notes                               | 5.10                                | 2009–2012  | 8,500            | 6,000            |
| Subordinated notes <sup>(d)(e)</sup>           | 6.08                                | 2009–2067  | 11,377           | 5,201            |
|  |                                     |            | <b>308,504</b>   | <b>252,953</b>   |
| <b>ELIMINATIONS</b>                            |                                     |            | <b>(1,145)</b>   | <b>(1,244)</b>   |
| <b>Total</b>                                   |                                     |            | <b>\$319,015</b> | <b>\$260,752</b> |

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

(b) A variety of obligations having various interest rates and maturities, including certain borrowings by parent operating components and affiliates.

(c) Included \$3,410 million and \$4,684 million of asset-backed senior notes, issued by consolidated, liquidating securitization entities at December 31, 2007 and 2006, respectively. See note 12.

(d) Included \$750 million of subordinated notes guaranteed by GE at December 31, 2007 and 2006.

(e) Included \$8,064 million and \$2,019 million of subordinated debentures receiving rating agency equity credit at December 31, 2007 and 2006, respectively.

Our borrowings are addressed below from the perspectives of liquidity, interest rate and currency risk management. Additional information about borrowings and associated swaps can be found in note 26.

**LIQUIDITY** is affected by debt maturities and our ability to repay or refinance such debt. Long-term debt maturities over the next five years follow.

| (In millions) | 2008                  | 2009                  | 2010   | 2011   | 2012   |
|---------------|-----------------------|-----------------------|--------|--------|--------|
| GE            | \$ 1,557              | \$ 1,713              | \$ 35  | \$ 58  | \$ 25  |
| GECS          | 56,298 <sup>(a)</sup> | 63,371 <sup>(b)</sup> | 54,255 | 32,028 | 39,240 |

(a) Fixed and floating rate notes of \$793 million contain put options with exercise dates in 2008, and which have final maturity dates in 2009 (\$100 million) and beyond 2012 (\$693 million).

(b) Floating rate extendible notes of \$6,500 million are due in 2009, but are extendible at the option of the investors to a final maturity in 2011 (\$4,000 million) and 2012 (\$2,500 million).

Committed credit lines totaling \$64.8 billion had been extended to us by 72 banks at year-end 2007. Availability of these lines is shared between GE and GECS with \$15.0 billion and \$64.8 billion available to GE and GECS, respectively. The GECS lines include \$37.2 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. The remaining

\$27.6 billion are 364-day lines that contain a term-out feature that allows GE or GECS to extend the borrowings for one year from the date of expiration of the lending agreement. We pay banks for credit facilities, but amounts were insignificant in each of the past three years.

**INTEREST RATE AND CURRENCY RISK** is managed through the direct issuance of debt or use of derivatives. We take positions in view of anticipated behavior of assets, including prepayment behavior. We use a variety of instruments, including interest rate and currency swaps and currency forwards, to achieve our interest rate objectives.

The following table provides additional information about derivatives designated as hedges of borrowings in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

#### DERIVATIVE FAIR VALUES BY ACTIVITY/INSTRUMENT

| December 31 (In millions) | 2007      | 2006     |
|---------------------------|-----------|----------|
| Cash flow hedges          | \$ 497    | \$ 763   |
| Fair value hedges         | (75)      | (147)    |
| Total                     | \$ 422    | \$ 616   |
| Interest rate swaps       | \$(1,559) | \$ (860) |
| Currency swaps            | 1,981     | 1,476    |
| Total                     | \$ 422    | \$ 616   |

We regularly assess the effectiveness of all hedge positions where required using a variety of techniques, including cumulative dollar offset and regression analysis, depending on which method was selected at inception of the respective hedge. Adjustments related to fair value hedges decreased the carrying amount of debt outstanding at December 31, 2007, by \$33 million. At December 31, 2007, the maximum term of derivative instruments that hedge forecasted transactions was 28 years and related to hedges of long-term, non-U.S. dollar denominated fixed rate debt. See note 26.

#### Note 18

##### GECS Investment Contracts, Insurance Liabilities and Insurance Annuity Benefits

| December 31 (In millions)                    | 2007     | 2006     |
|--|----------|----------|
| Investment contracts                         | \$ 4,536 | \$ 5,089 |
| Guaranteed investment contracts              | 11,705   | 11,870   |
| Total investment contracts                   | 16,241   | 16,959   |
| Life insurance benefits <sup>(a)</sup>       | 14,360   | 14,054   |
| Unpaid claims and claims adjustment expenses | 2,782    | 2,714    |
| Unearned premiums                            | 656      | 740      |
| Universal life benefits                      | 320      | 340      |
| Total  | \$34,359 | \$34,807 |

(a) Life insurance benefits are accounted for mainly by a net-level-premium method using estimated yields generally ranging from 3.0% to 8.5% in both 2007 and 2006.

When insurance affiliates cede insurance to third parties, they are not relieved of their primary obligation to policyholders. Losses on ceded risks give rise to claims for recovery; we establish allowances for probable losses on such receivables from reinsurers as required.

We recognize reinsurance recoveries as a reduction of the Statement of Earnings caption "Investment contracts, insurance losses and insurance annuity benefits." Reinsurance recoveries were \$104 million, \$162 million and \$183 million for the years ended December 31, 2007, 2006 and 2005, respectively.

#### Note 19

##### All Other Liabilities

This caption includes liabilities for various items including non-current compensation and benefits, deferred income, interest on tax liabilities, unrecognized tax benefits, accrued participation and residuals, environmental remediation, asset retirement obligations, derivative instruments, product warranties and a variety of sundry items.

Accruals for non-current compensation and benefits amounted to \$21,509 million and \$16,997 million for year-end 2007 and 2006, respectively. These amounts include postretirement benefits, international and supplemental pension benefits, and other compensation and benefit accruals such as deferred incentive compensation. The increase in 2007 was primarily the result of plan benefit changes resulting from new U.S. labor agreements and retiree health cost increases.

We are involved in numerous remediation actions to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs, exclude possible insurance recoveries and, when dates and amounts of such costs are not known, are not discounted. When there appears to be a range of possible costs with equal likelihood, liabilities are based on the low end of such range. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop a meaningful estimate of the reasonably possible aggregate environmental remediation exposure. However, even in the unlikely event that remediation costs amounted to the high end of the range of costs for each site, the resulting additional liability would not be material to our financial position, results of operations or liquidity.

**Note 20****Deferred Income Taxes**

Aggregate deferred income tax amounts are summarized below.

| December 31 (In millions)         | 2007     | 2006     |
|-----------------------------------|----------|----------|
| <b>ASSETS</b>                     |          |          |
| GE                                | \$13,122 | \$11,704 |
| GECS                              | 8,951    | 7,552    |
|                                   | 22,073   | 19,256   |
| <b>LIABILITIES</b>                |          |          |
| GE                                | 16,513   | 13,244   |
| GECS                              | 17,704   | 20,122   |
|                                   | 34,217   | 33,366   |
| Net deferred income tax liability | \$12,144 | \$14,110 |

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

| December 31 (In millions)                  | 2007     | 2006     |
|--|----------|----------|
| <b>GE</b>                                  |          |          |
| Pension asset—principal plans              | \$ 7,067 | \$ 5,257 |
| Intangible assets                          | 2,609    | 1,934    |
| Contract costs and estimated earnings      | 2,215    | 1,767    |
| Depreciation                               | 1,360    | 1,334    |
| Provision for expenses <sup>(a)</sup>      | (6,426)  | (6,965)  |
| Retiree insurance plans                    | (4,616)  | (2,654)  |
| Non-U.S. loss carryforwards <sup>(b)</sup> | (925)    | (818)    |
| Other—net                                  | 2,107    | 1,685    |
|  | 3,391    | 1,540    |
| <b>GECS</b>                                |          |          |
| Financing leases                           | 7,089    | 8,314    |
| Operating leases                           | 4,478    | 4,327    |
| Intangible assets                          | 1,426    | 1,287    |
| Allowance for losses                       | (1,588)  | (1,514)  |
| Non-U.S. loss carryforwards <sup>(b)</sup> | (810)    | (652)    |
| Cash flow hedges                           | (494)    | (50)     |
| Other—net                                  | (1,348)  | 858      |
|  | 8,753    | 12,570   |
| Net deferred income tax liability          | \$12,144 | \$14,110 |

(a) Represented the tax effects of temporary differences related to expense accruals for a wide variety of items, such as employee compensation and benefits, interest on tax liabilities, product warranties and other sundry items that are not currently deductible.

(b) Net of valuation allowances of \$557 million and \$509 million for GE and \$225 million and \$171 million for GECS, for 2007 and 2006, respectively. Of the net deferred tax asset as of December 31, 2007, of \$1,735 million, \$49 million relates to net operating loss carryforwards that expire in various years ending from December 31, 2008, through December 31, 2010, \$141 million relates to net operating losses that expire in various years ending from December 31, 2011, through December 31, 2022, and \$1,545 million relates to net operating loss carryforwards that may be carried forward indefinitely.

**Note 21****Minority Interest in Equity of Consolidated Affiliates**

Minority interest in equity of consolidated affiliates includes common shares in consolidated affiliates and preferred stock issued by affiliates of GE Capital. Preferred shares that we are required to redeem at a specified or determinable date are classified as liabilities. The balance is summarized as follows:

| December 31 (In millions)                           | 2007    | 2006    |
|---|---------|---------|
| Minority interest in consolidated affiliates        |         |         |
| NBC Universal                                       | \$5,025 | \$4,774 |
| Others <sup>(a)</sup>                               | 2,748   | 1,487   |
| Minority interest in preferred stock <sup>(b)</sup> |         |         |
| GE Capital affiliates                               | 231     | 1,232   |
| Total   | \$8,004 | \$7,493 |

(a) Included minority interest in partnerships and common shares of consolidated affiliates.

(b) The preferred stock primarily pays cumulative dividends at variable rates. Dividend rates in local currency on the preferred stock ranged from 3.88% to 5.52% during 2007 and 3.28% to 5.49% during 2006.

**Note 22****Shareowners' Equity**

| (In millions)   | 2007               | 2006               | 2005               |
|---|--------------------|--------------------|--------------------|
| <b>COMMON STOCK ISSUED</b>  | <b>\$ 669</b>      | <b>\$ 669</b>      | <b>\$ 669</b>      |
| <b>ACCUMULATED NONOWNER CHANGES OTHER THAN EARNINGS</b>                                   |                    |                    |                    |
| Balance at January 1  | \$ 3,254           | \$ 3,137           | \$ 8,156           |
| Investment securities— net of deferred taxes of \$(510), \$111 and \$(307)                | (972)              | 297                | (231)              |
| Currency translation adjustments— net of deferred taxes of \$(1,319), \$(1,417) and \$646 | 4,662              | 3,776              | (4,315)            |
| Cash flow hedges— net of deferred taxes of \$(213), \$75 and \$493                        | 23                 | 599                | 724                |
| Benefit plans— net of deferred taxes of \$860, \$182 and \$(159) <sup>(a)</sup>           | 2,566              | 287                | (217)              |
| Reclassification adjustments  |                    |                    |                    |
| Investment securities— net of deferred taxes of \$(375), \$(279) and \$(100)              | (512)              | (520)              | (206)              |
| Currency translation adjustments  | (135)              | (127)              | (3)                |
| Cash flow hedges— net of deferred taxes of \$(119), \$(60) and \$(494)                    | (562)              | (376)              | (771)              |
| Cumulative effect of change in accounting principle— net of deferred taxes of \$(2,715)   | —                  | (3,819)            | —                  |
| Balance at December 31 <sup>(b)</sup>   | <b>\$ 8,324</b>    | <b>\$ 3,254</b>    | <b>\$ 3,137</b>    |
| <b>OTHER CAPITAL</b>  |                    |                    |                    |
| Balance at January 1  | \$ 25,486          | \$ 25,227          | \$ 24,265          |
| Gains on treasury stock dispositions and other <sup>(c)</sup>                             | 614                | 259                | 962                |
| Balance at December 31  | <b>\$ 26,100</b>   | <b>\$ 25,486</b>   | <b>\$ 25,227</b>   |
| <b>RETAINED EARNINGS</b>  |                    |                    |                    |
| Balance at January 1 <sup>(d)</sup>   | \$106,867          | \$ 96,926          | \$ 89,853          |
| Net earnings  | 22,208             | 20,742             | 16,720             |
| Dividends <sup>(c)</sup>  | (11,713)           | (10,675)           | (9,647)            |
| Balance at December 31  | <b>\$117,362</b>   | <b>\$106,993</b>   | <b>\$ 96,926</b>   |
| <b>COMMON STOCK HELD IN TREASURY</b>  |                    |                    |                    |
| Balance at January 1  | \$ (24,893)        | \$ (17,326)        | \$ (12,762)        |
| Purchases <sup>(c)</sup>  | (14,913)           | (10,512)           | (6,868)            |
| Dispositions <sup>(c)</sup>   | 2,910              | 2,945              | 2,304              |
| Balance at December 31  | <b>\$ (36,896)</b> | <b>\$ (24,893)</b> | <b>\$ (17,326)</b> |
| <b>TOTAL EQUITY</b>   |                    |                    |                    |
| Balance at December 31  | <b>\$115,559</b>   | <b>\$111,509</b>   | <b>\$108,633</b>   |

(a) For 2007, included \$(3,122) million of prior service costs for plan amendments, \$494 million of amortization of prior service costs, \$4,666 million of gains (losses) arising during the year and \$528 million of amortization of gains (losses)— net of deferred taxes of \$(2,482) million, \$339 million, \$2,639 million and \$364 million, respectively.

(b) At December 31, 2007, included additions of equity of \$625 million related to hedges of our investments in financial services subsidiaries that have functional currencies other than the U.S. dollar and reductions of \$668 million related to cash flow hedges of forecasted transactions, of which we expect to transfer \$94 million to earnings as an expense in 2008 along with the earnings effects of the related forecasted transaction.

(c) Total dividends and other transactions with shareowners reduced equity by \$23,102 million in 2007, \$17,983 million in 2006 and \$13,249 million in 2005.

(d) The 2007 opening balance change reflects cumulative effect of changes in accounting principles of \$(49) million related to adopting FIN 48 and \$(77) million related to adoption of FSP FAS 13-2.

At December 31, 2007 and 2006, the aggregate statutory capital and surplus of the insurance activities totaled \$2.2 billion and \$2.1 billion, respectively. Accounting practices prescribed by statutory authorities are used in preparing statutory statements.

In December 2004, our Board of Directors authorized a three-year, \$15 billion share repurchase program, expanded that program in 2005 to \$25 billion and extended it in July 2007 to \$27 billion. In December 2007, our Board approved a new three-year, \$15 billion share repurchase program. Under these share repurchase programs, on a book basis we repurchased 357.9 million shares for a total of \$13.9 billion during 2007.

Common shares issued and outstanding are summarized in the following table.

**SHARES OF GE COMMON STOCK**

| December 31 (In thousands) | 2007             | 2006              | 2005              |
|----------------------------|------------------|-------------------|-------------------|
| Issued                     | 11,145,252       | 11,145,212        | 11,145,212        |
| In treasury                | (1,157,653)      | (867,839)         | (660,944)         |
| Outstanding                | <b>9,987,599</b> | <b>10,277,373</b> | <b>10,484,268</b> |

GE has 50 million authorized shares of preferred stock (\$1.00 par value), but has not issued any such shares as of December 31, 2007.

**Note 23****Other Stock-Related Information**

We grant stock options, restricted stock units (RSUs) and performance share units (PSUs) to employees under the 2007 Long-Term Incentive Plan. This plan replaces the 1990 Long-Term Incentive Plan. In addition, we grant options and RSUs in limited circumstances to consultants, advisors and independent contractors (primarily non-employee talent at NBC Universal) under a plan approved by our Board of Directors in 1997 (the consultants' plan). There are outstanding grants under one shareowner-approved option plan for non-employee directors. Share requirements for all plans may be met from either unissued or treasury shares. Stock options expire 10 years from the date they are granted and vest over service periods that range from one to five years. RSUs give the recipients the right to receive shares of our stock upon the lapse of their related restrictions. Restrictions on RSUs lapse in various increments and at various dates, beginning after one year from date of grant through grantee retirement. Although the plan permits us to issue RSUs settleable in cash, we have only issued RSUs settleable in shares of our stock. PSUs give recipients the right to receive shares of our stock upon the achievement of certain performance targets.

All grants of GE options under all plans must be approved by the Management Development and Compensation Committee, which consists entirely of independent directors.

## STOCK COMPENSATION PLANS

| December 31, 2007 (Shares in thousands)                    | Securities to be issued upon exercise | Weighted average exercise price | Securities available for future issuance |
|--|---------------------------------------|---------------------------------|--|
| <b>APPROVED BY SHAREOWNERS</b>                             |                                       |                                 |  |
| Options  | 212,669                               | \$36.68                         | (a)                                      |
| RSUs   | 37,062                                | (b)                             | (a)                                      |
| PSUs   | 1,330                                 | (b)                             | (a)                                      |
| <b>NOT APPROVED BY SHAREOWNERS<br/>(CONSULTANTS' PLAN)</b> |                                       |                                 |  |
| Options  | 713                                   | 35.55                           | (c)                                      |
| RSUs   | 67                                    | (b)                             | (c)                                      |
| <b>Total</b>   | <b>251,841</b>                        | <b>\$36.68</b>                  | <b>497,051</b>                           |

(a) In 2007, the Board of Directors approved the 2007 Long-Term Incentive Plan (the Plan). The Plan replaced the 1990 Long-Term Incentive Plan. The maximum number of shares that may be granted under the Plan is 500 million shares, of which no more than 250 million may be available for awards granted in any form provided under the Plan other than options or stock appreciation rights. The approximate 105.9 million shares available for grant under the 1990 Plan were retired upon approval of the 2007 Plan. Total shares available for future issuance under the 2007 Plan amounted to 473.0 million shares.

(b) Not applicable.

(c) Total shares available for future issuance under the consultants' plan amount to 24.0 million shares.

Outstanding options expire on various dates through December 6, 2017.

The following table summarizes information about stock options outstanding at December 31, 2007.

## STOCK OPTIONS OUTSTANDING

| Exercise price range | Outstanding    |                             |                        | Exercisable    |                        |
|----------------------|----------------|-----------------------------|------------------------|----------------|------------------------|
|                      | Shares         | Average life <sup>(a)</sup> | Average exercise price | Shares         | Average exercise price |
| Under \$27.00        | 12,555         | 0.8                         | \$26.21                | 12,555         | \$26.21                |
| 27.01-32.00          | 44,764         | 5.0                         | 28.44                  | 40,599         | 28.22                  |
| 32.01-37.00          | 65,080         | 5.7                         | 34.72                  | 41,054         | 35.04                  |
| 37.01-42.00          | 34,197         | 5.8                         | 39.18                  | 16,834         | 39.62                  |
| 42.01-47.00          | 44,451         | 3.0                         | 43.29                  | 44,451         | 43.29                  |
| Over \$47.00         | 12,335         | 2.7                         | 56.84                  | 12,335         | 56.84                  |
| <b>Total</b>         | <b>213,382</b> | <b>4.5</b>                  | <b>\$36.68</b>         | <b>167,828</b> | <b>\$36.98</b>         |

At year-end 2006, options with an average exercise price of \$35.93 were exercisable on 183 million shares.

(a) Average contractual life remaining in years.

## STOCK OPTION ACTIVITY

|                          | Shares (In thousands) | Weighted average exercise price | Weighted average remaining contractual term (In years) | Aggregate intrinsic value (In millions) |
|--------------------------|-----------------------|---------------------------------|--|---|
| <b>Outstanding at</b>    |                       |                                 |  |   |
| January 1, 2007          | 232,420               | \$35.25                         |  |   |
| Granted                  | 17,905                | 38.64                           |  |   |
| Exercised                | (28,966)              | 25.80                           |  |   |
| Forfeited                | (2,949)               | 33.10                           |  |   |
| Expired                  | (5,028)               | 42.22                           |  |   |
| <b>Outstanding at</b>    |                       |                                 |  |   |
| December 31, 2007        | 213,382               | \$36.68                         | 4.5  | \$676                                   |
| <b>Exercisable at</b>    |                       |                                 |  |   |
| December 31, 2007        | 167,828               | \$36.98                         | 3.5  | \$579                                   |
| Options expected to vest | 40,402                | \$35.50                         | 8.3  | \$ 88                                   |

We measure the fair value of each stock option grant at the date of grant using a Black-Scholes option pricing model. The weighted average grant-date fair value of options granted during 2007, 2006 and 2005 amounted to \$9.28, \$7.99 and \$8.87, respectively. The following assumptions were used in arriving at the fair value of options granted during 2007, 2006 and 2005, respectively: risk-free interest rates of 4.2%, 4.8% and 4.1%; dividend yields of 2.9%, 2.9% and 2.5%; expected volatility of 25%, 24% and 28%; and expected lives of six years and ten months, six years and two months and six years. Risk-free interest rates reflect the yield on zero-coupon U.S. Treasury securities. Expected dividend yields presume a set dividend rate. Expected volatilities are based on implied volatilities from traded options and historical volatility of our stock. The expected option lives are based on our historical experience of employee exercise behavior.

The total intrinsic value of options exercised during 2007, 2006 and 2005 amounted to \$375 million, \$587 million and \$731 million, respectively. As of December 31, 2007, there was \$234 million of total unrecognized compensation cost related to nonvested options. That cost is expected to be recognized over a weighted average period of four years.

Cash received from option exercises during 2007, 2006 and 2005 was \$747 million, \$622 million and \$403 million, respectively.

## OTHER STOCK-BASED COMPENSATION

|                       | Shares<br>(In thousands) | Weighted<br>average<br>remaining<br>contractual<br>term<br>(In years) | Aggregate<br>intrinsic<br>value<br>(In millions) |
|-----------------------|--------------------------|---|--|
| RSUs outstanding at   |                          |   |  |
| January 1, 2007       | 34,327                   |   |  |
| Granted               | 10,145                   |   |  |
| Vested                | (5,105)                  |   |  |
| Forfeited             | (2,238)                  |   |  |
| RSUs outstanding at   |                          |   |  |
| December 31, 2007     | 37,129                   | 3.2   | \$1,376  |
| RSUs expected to vest | 33,723                   | 3.1   | \$1,250  |

The fair value of each restricted stock unit is the market price of our stock on the date of grant. The weighted average grant-date fair value of RSUs granted during 2007, 2006 and 2005 amounted to \$38.48, \$33.95 and \$34.72, respectively. The total intrinsic value of RSUs vested during 2007, 2006 and 2005 amounted to \$181 million, \$132 million and \$90 million, respectively. As of December 31, 2007, there was \$638 million of total unrecognized compensation cost related to nonvested RSUs. That cost is expected to be recognized over a weighted average period of two years and two months. As of December 31, 2007, 1.3 million PSUs with a weighted average remaining contractual term of two years, an aggregate intrinsic value of \$49 million and \$14 million of unrecognized compensation cost were outstanding.

**Note 24**

## Supplemental Cash Flows Information

Changes in operating assets and liabilities are net of acquisitions and dispositions of principal businesses.

Amounts reported in the "Payments for principal businesses purchased" line in the Statement of Cash Flows is net of cash acquired and included debt assumed and immediately repaid in acquisitions.

Amounts reported in the "All other operating activities" line in the Statement of Cash Flows consists primarily of adjustments to current and noncurrent accruals and deferrals of costs and expenses, adjustments for gains and losses on assets, increases and decreases in assets held for sale and adjustments to assets. There were no significant non-cash transactions in 2007. Significant non-cash transactions in 2006 and 2005 include the following: in 2006, in connection with our sale of GE Insurance Solutions, Swiss Re assumed \$1,700 million of debt, and GE received \$2,238 million of newly issued Swiss Re common stock. See note 2. In 2005, NBC Universal acquired IAC/InterActiveCorp's 5.44% common interest in VUE for a total purchase price that included \$115 million of non-cash consideration, representing the fair value of future services to be performed by NBC Universal.

Certain supplemental information related to GE and GECS cash flows is shown below.

| (In millions)  | 2007               | 2006               | 2005               |
|--|--------------------|--------------------|--------------------|
| <b>GE</b>  |                    |                    |                    |
| <b>NET DISPOSITIONS (PURCHASES) OF GE SHARES FOR TREASURY</b>                        |                    |                    |                    |
| Open market purchases under share repurchase program                                 | \$ (13,896)        | \$ (8,054)         | \$ (5,024)         |
| Other purchases  | (1,017)            | (2,458)            | (1,844)            |
| Dispositions   | 2,594              | 1,958              | 2,024              |
|  | <b>\$ (12,319)</b> | <b>\$ (8,554)</b>  | <b>\$ (4,844)</b>  |
| <b>GECS</b>  |                    |                    |                    |
| <b>ALL OTHER OPERATING ACTIVITIES</b>  |                    |                    |                    |
| Net change in other assets   | \$ (1,513)         | \$ (1,711)         | \$ (969)           |
| Amortization of intangible assets  | 888                | 604                | 444                |
| Realized gains on sale of investment securities                                      | (885)              | (132)              | (377)              |
| Other  | 986                | 1,962              | 2,820              |
|  | <b>\$ (524)</b>    | <b>\$ 723</b>      | <b>\$ 1,918</b>    |
| <b>NET INCREASE IN GECS FINANCING RECEIVABLES</b>                                    |                    |                    |                    |
| Increase in loans to customers   | \$(410,336)        | \$(372,582)        | \$(311,585)        |
| Principal collections from customers — loans   | 322,419            | 297,165            | 264,182            |
| Investment in equipment for financing leases   | (26,489)           | (25,618)           | (23,508)           |
| Principal collections from customers — financing leases                              | 20,868             | 18,791             | 21,770             |
| Net change in credit card receivables  | (38,378)           | (25,790)           | (21,391)           |
| Sales of financing receivables   | 86,548             | 67,471             | 54,144             |
|  | <b>\$ (45,368)</b> | <b>\$ (40,563)</b> | <b>\$ (16,388)</b> |
| <b>ALL OTHER INVESTING ACTIVITIES</b>  |                    |                    |                    |
| Purchases of securities by insurance activities                                      | \$ (13,279)        | \$ (11,891)        | \$ (8,825)         |
| Dispositions and maturities of securities by insurance activities                    | 15,602             | 11,635             | 10,792             |
| Other assets — investments   | (10,220)           | (6,237)            | (919)              |
| Other  | (1,034)            | 548                | (3,492)            |
|  | <b>\$ (8,931)</b>  | <b>\$ (5,945)</b>  | <b>\$ (2,444)</b>  |
| <b>NEWLY ISSUED DEBT HAVING MATURITIES LONGER THAN 90 DAYS</b>                       |                    |                    |                    |
| Short-term (91 to 365 days)  | \$ 1,226           | \$ 1,237           | \$ 4,675           |
| Long-term (longer than one year)   | 90,766             | 86,024             | 60,177             |
| Proceeds — nonrecourse, leveraged lease  | 24                 | 1,015              | 203                |
|  | <b>\$ 92,016</b>   | <b>\$ 88,276</b>   | <b>\$ 65,055</b>   |
| <b>REPAYMENTS AND OTHER REDUCTIONS OF DEBT HAVING MATURITIES LONGER THAN 90 DAYS</b> |                    |                    |                    |
| Short-term (91 to 365 days)  | \$ (43,938)        | \$ (42,268)        | \$ (38,132)        |
| Long-term (longer than one year)   | (4,481)            | (5,572)            | (10,743)           |
| Principal payments — nonrecourse, leveraged lease                                    | (1,109)            | (1,404)            | (831)              |
|  | <b>\$ (49,528)</b> | <b>\$ (49,244)</b> | <b>\$ (49,706)</b> |
| <b>ALL OTHER FINANCING ACTIVITIES</b>  |                    |                    |                    |
| Proceeds from sales of investment contracts  | \$ 12,641          | \$ 16,418          | \$ 15,806          |
| Redemption of investment contracts   | (13,862)           | (17,603)           | (16,934)           |
| Other  | 17                 | 11                 | —                  |
|  | <b>\$ (1,204)</b>  | <b>\$ (1,174)</b>  | <b>\$ (1,128)</b>  |

**Note 25****Operating Segments**

| (In millions)                     | Total revenues <sup>(a)</sup> |                  |                  | Intersegment revenues <sup>(b)</sup> |             |             | External revenues |                  |                  |
|-----------------------------------|-------------------------------|------------------|------------------|--------------------------------------|-------------|-------------|-------------------|------------------|------------------|
|                                   | 2007                          | 2006             | 2005             | 2007                                 | 2006        | 2005        | 2007              | 2006             | 2005             |
| Infrastructure                    | \$ 57,925                     | \$ 46,965        | \$ 41,695        | \$ 189                               | \$ 246      | \$ 448      | \$ 57,736         | \$ 46,719        | \$ 41,247        |
| Commercial Finance <sup>(c)</sup> | 34,288                        | 30,853           | 27,273           | 1,069                                | 916         | 790         | 33,219            | 29,937           | 26,483           |
| GE Money                          | 25,019                        | 19,783           | 17,072           | 27                                   | 51          | 63          | 24,992            | 19,732           | 17,009           |
| Healthcare                        | 16,997                        | 16,560           | 15,016           | 8                                    | 4           | 9           | 16,989            | 16,556           | 15,007           |
| NBC Universal                     | 15,416                        | 16,188           | 14,689           | 35                                   | 52          | —           | 15,381            | 16,136           | 14,689           |
| Industrial <sup>(c)</sup>         | 17,725                        | 17,741           | 17,060           | 421                                  | 449         | 607         | 17,304            | 17,292           | 16,453           |
| Corporate items and eliminations  | 5,368                         | 3,753            | 3,775            | (1,749)                              | (1,718)     | (1,917)     | 7,117             | 5,471            | 5,692            |
| <b>Total</b>                      | <b>\$172,738</b>              | <b>\$151,843</b> | <b>\$136,580</b> | <b>\$ —</b>                          | <b>\$ —</b> | <b>\$ —</b> | <b>\$172,738</b>  | <b>\$151,843</b> | <b>\$136,580</b> |

(a) Revenues of GE businesses include income from sales of goods and services to customers and other income.

(b) Sales from one component to another generally are priced at equivalent commercial selling prices.

(c) During the fourth quarter of 2007, we transferred the Equipment Services business from the Industrial segment to the Commercial Finance segment.

Revenues from customers located in the United States were \$86,247 million, \$81,057 million and \$75,655 million in 2007, 2006 and 2005, respectively. Revenues from customers located

outside the United States were \$86,491 million, \$70,786 million and \$60,925 million in 2007, 2006 and 2005, respectively.

| (In millions)                    | Assets <sup>(a)(b)</sup> |                  |                  | Property, plant and equipment additions <sup>(c)</sup> |                 |                 | Depreciation and amortization   |                 |                |
|----------------------------------|--------------------------|------------------|------------------|--|-----------------|-----------------|---------------------------------|-----------------|----------------|
|                                  | At December 31           |                  |                  | For the years ended December 31                        |                 |                 | For the years ended December 31 |                 |                |
|                                  | 2007                     | 2006             | 2005             | 2007   | 2006            | 2005            | 2007                            | 2006            | 2005           |
| Infrastructure                   | \$118,852                | \$100,312        | \$ 89,519        | \$ 6,991   | \$ 4,873        | \$ 4,188        | \$ 2,821                        | \$ 2,497        | \$2,436        |
| Commercial Finance               | 310,412                  | 252,901          | 207,984          | 13,050   | 10,892          | 8,792           | 6,820                           | 5,170           | 4,560          |
| GE Money                         | 210,952                  | 179,284          | 148,171          | 184  | 225             | 156             | 488                             | 388             | 338            |
| Healthcare                       | 27,027                   | 27,283           | 24,995           | 471  | 655             | 460             | 808                             | 786             | 617            |
| NBC Universal                    | 33,089                   | 31,425           | 31,196           | 306  | 352             | 275             | 357                             | 361             | 339            |
| Industrial                       | 12,970                   | 12,900           | 12,646           | 509  | 476             | 388             | 715                             | 576             | 775            |
| Corporate items and eliminations | 82,035                   | 92,578           | 158,699          | 247  | 195             | 226             | 310                             | 262             | 210            |
| <b>Total</b>                     | <b>\$795,337</b>         | <b>\$696,683</b> | <b>\$673,210</b> | <b>\$21,758</b>  | <b>\$17,668</b> | <b>\$14,485</b> | <b>\$12,319</b>                 | <b>\$10,040</b> | <b>\$9,275</b> |

(a) Assets of discontinued operations are included in Corporate items and eliminations for all periods presented.

(b) Total assets of the Infrastructure, Commercial Finance, GE Money, Healthcare, NBC Universal and Industrial operating segments at December 31, 2007, include investment in and advances to associated companies of \$4,579 million, \$1,878 million, \$11,115 million, \$247 million, \$384 million and \$498 million, respectively, which contributed approximately \$616 million, \$241 million, \$1,430 million, \$32 million, \$453 million and \$71 million, respectively, to segment pre-tax income for the year ended December 31, 2007. Aggregate summarized financial information for significant associated companies assuming a 100% ownership interest included: total assets of \$138,864 million, primarily financing receivables of \$83,087 million; total liabilities of \$120,914 million, primarily bank deposits of \$63,514 million; revenues totaling \$22,446 million; and net earnings totaling \$3,979 million.

(c) Additions to property, plant and equipment include amounts relating to principal businesses purchased.

| (In millions)                                   | Interest and other financial charges |                 |                 | Provision for income taxes |                |                |
|---|--------------------------------------|-----------------|-----------------|----------------------------|----------------|----------------|
|   | 2007                                 | 2006            | 2005            | 2007                       | 2006           | 2005           |
| Infrastructure <sup>(a)</sup>                   | \$ 2,320                             | \$ 2,067        | \$ 1,706        | \$ 281                     | \$ 199         | \$ (202)       |
| Commercial Finance                              | 11,428                               | 8,487           | 6,429           | 414                        | 954            | 1,035          |
| GE Money  | 8,888                                | 6,542           | 5,265           | 505                        | 413            | 390            |
| Corporate items and eliminations <sup>(b)</sup> | 1,151                                | 1,800           | 1,411           | 2,930                      | 2,384          | 2,601          |
| <b>Total</b>                                    | <b>\$23,787</b>                      | <b>\$18,896</b> | <b>\$14,811</b> | <b>\$4,130</b>             | <b>\$3,950</b> | <b>\$3,824</b> |

(a) Included only portions of the segment that are financial services businesses.

(b) Included amounts for Healthcare, Industrial, NBC Universal and the industrial businesses of Infrastructure, for which our measure of segment profit excludes interest and other financial charges and income taxes.

Property, plant and equipment—net associated with operations based in the United States were \$27,213 million, \$25,699 million and \$24,262 million at year-end 2007, 2006 and 2005, respectively. Property, plant and equipment—net associated with operations based outside the United States were \$50,682 million, \$44,951 million and \$38,106 million at year-end 2007, 2006 and 2005, respectively.

### Basis for presentation

Our operating businesses are organized based on the nature of markets and customers. Segment accounting policies are the same as described in note 1. Segment results for our financial services businesses reflect the discrete tax effect of transactions, but the intraperiod tax allocation is reflected outside of the segment unless otherwise noted in segment results.

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

A description of our operating segments can be found on page 106 and details of segment profit by operating segment can be found in the Summary of Operating Segments table on page 47 of this report.

## Note 26

### Financial Instruments

| December 31 (In millions)                                | 2007            |                       |                      | 2006            |                       |                      |
|--|-----------------|-----------------------|----------------------|-----------------|-----------------------|----------------------|
|  | Notional amount | Assets (liabilities)  |                      | Notional amount | Assets (liabilities)  |                      |
|  |                 | Carrying amount (net) | Estimated fair value |                 | Carrying amount (net) | Estimated fair value |
| <b>GE</b>  |                 |                       |                      |                 |                       |                      |
| <b>Assets</b>  |                 |                       |                      |                 |                       |                      |
| Investments and notes receivable                         | \$ (a)          | \$ 538                | \$ 538               | \$ (a)          | \$ 481                | \$ 481               |
| <b>Liabilities</b>                                       |                 |                       |                      |                 |                       |                      |
| Borrowings <sup>(b)</sup>                                | (a)             | (15,762)              | (15,819)             | (a)             | (11,119)              | (11,026)             |
| <b>GECS</b>  |                 |                       |                      |                 |                       |                      |
| <b>Assets</b>  |                 |                       |                      |                 |                       |                      |
| Loans  | (a)             | 311,160               | 309,065              | (a)             | 260,412               | 259,883              |
| Other commercial and residential mortgages held for sale | (a)             | 4,891                 | 4,939                | (a)             | 2,644                 | 2,703                |
| Loans held for sale                                      | (a)             | 3,808                 | 3,809                | (a)             | 3,498                 | 3,498                |
| Other financial instruments <sup>(c)</sup>               | (a)             | 2,778                 | 3,164                | (a)             | 2,439                 | 2,883                |
| <b>Liabilities</b>                                       |                 |                       |                      |                 |                       |                      |
| Borrowings <sup>(b)(d)</sup>                             | (a)             | (500,925)             | (503,610)            | (a)             | (426,266)             | (432,261)            |
| Investment contract benefits                             | (a)             | (4,536)               | (4,914)              | (a)             | (5,089)               | (5,080)              |
| Guaranteed investment contracts                          | (a)             | (11,705)              | (11,630)             | (a)             | (11,870)              | (11,756)             |
| Insurance—credit life <sup>(e)</sup>                     | 1,500           | (35)                  | (24)                 | 2,634           | (81)                  | (61)                 |

(a) These financial instruments do not have notional amounts.

(b) See note 17.

(c) Principally cost method investments.

(d) Included effects of interest rate and cross-currency derivatives.

(e) Net of reinsurance of \$2,815 million and \$840 million at December 31, 2007 and 2006, respectively.

Assets and liabilities not carried at fair value in our Statement of Financial Position are discussed below. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using financial models. Realization of the fair value of these instruments depends upon market forces beyond our control, including marketplace liquidity. Therefore, the disclosed fair values may not be indicative of net realizable value or reflect future fair values.

A description of how we estimate fair values follows.

### Loans

Based on quoted market prices, recent transactions and/or discounted future cash flows, using rates at which similar loans would have been made to similar borrowers.

### Borrowings

Based on discounted future cash flows using current market rates which are comparable to market quotes.

**Investment contract benefits**

Based on expected future cash flows, discounted at currently offered rates for immediate annuity contracts or cash surrender values for single premium deferred annuities.

**Guaranteed investment contracts**

Based on present value of future cash flows, discounted using current benchmark interest rates.

**All other instruments**

Based on comparable market transactions, discounted future cash flows, quoted market prices, and/or estimates of the cost to terminate or otherwise settle obligations. The fair values of our cost method investments that are not exchange traded represent our best estimates of amounts we could have received other than on a forced or liquidation basis.

Assets and liabilities that are reflected in the accompanying financial statements at fair value are not included in the above disclosures; such items include cash and equivalents, investment securities and derivative financial instruments.

Additional information about certain categories in the table above follows.

**Insurance – credit life**

Certain insurance affiliates, primarily in GE Money, issue credit life insurance designed to pay the balance due on a loan if the borrower dies before the loan is repaid. As part of our overall risk management process, we cede to third parties a portion of this associated risk, but are not relieved of our primary obligation to policyholders.

**LOAN COMMITMENTS**

| December 31 (In millions)                                      | Notional amount |          |
|--|-----------------|----------|
|  | 2007            | 2006     |
| Ordinary course of business lending commitments <sup>(a)</sup> | \$ 12,854       | \$ 9,945 |
| Unused revolving credit lines <sup>(b)</sup>                   |                 |          |
| Commercial   | 26,305          | 24,963   |
| Consumer – principally credit cards                            | 454,089         | 476,831  |

(a) Excluded investment commitments of \$4,393 million and \$2,881 million as of December 31, 2007 and 2006, respectively.

(b) Excluded inventory financing arrangements, which may be withdrawn at our option, of \$12,848 million and \$11,044 million as of December 31, 2007 and 2006, respectively.

**Derivatives and hedging**

We conduct our business activities in diverse markets around the world, including countries where obtaining local funding is sometimes inefficient. The nature of our activities exposes us to changes in interest rates and currency exchange rates. We manage such risks using various techniques including debt whose terms correspond to terms of the funded assets, as well as combinations of debt and derivatives that achieve our objectives. We also are exposed to various commodity price risks and address certain of these risks with commodity contracts. We value derivatives that

are not exchange-traded with internal market-based valuation models. When necessary, we also obtain information from our derivative counterparties to validate our models and to value the few products that our internal models do not address.

We use interest rate swaps, currency derivatives and commodity derivatives to reduce the variability of expected future cash flows associated with variable rate borrowings and commercial purchase and sale transactions, including commodities. We use interest rate swaps, currency swaps and interest rate and currency forwards to hedge the fair value effects of interest rate and currency exchange rate changes on local and nonfunctional currency denominated fixed-rate borrowings and certain types of fixed-rate assets. We use currency swaps and forwards to protect our net investments in global operations conducted in non-U.S. dollar currencies. We intend all of these positions to qualify as hedges and to be accounted for as hedges.

We use swaps, futures and option contracts, including caps, floors and collars, as economic hedges of changes in interest rates, currency exchange rates and equity prices on certain types of assets and liabilities. We sometimes use credit default swaps to economically hedge the credit risk of various counterparties with which we have entered into loan or leasing arrangements. We occasionally obtain equity warrants as part of sourcing or financing transactions. Although these instruments are derivatives, their economic risks are similar to, and managed on the same basis as, risks of other equity instruments we hold. These instruments are marked to market through earnings.

**Earnings effects of derivatives designated as hedges**

At December 31, 2007, approximately 53% of our total interest rate swaps designated as hedges were exempt from ongoing tests of effectiveness. The following table provides information about the earnings effects of derivatives designated and qualifying as hedges, but not qualifying for the assumption of no ineffectiveness.

**PRE-TAX GAINS (LOSSES)**

| December 31 (In millions)                          | 2007   | 2006  | 2005   |
|--|--------|-------|--------|
| <b>CASH FLOW HEDGES</b>                            |        |       |        |
| Ineffectiveness                                    | \$ (3) | \$ 10 | \$(27) |
| Amounts excluded from the measure of effectiveness | (17)   | (16)  | 17     |
| <b>FAIR VALUE HEDGES</b>                           |        |       |        |
| Ineffectiveness                                    | 7      | (47)  | 4      |
| Amounts excluded from the measure of effectiveness | (13)   | 33    | (8)    |

In 2007, 2006 and 2005, we recognized insignificant gains and losses related to hedged forecasted transactions and firm commitments that did not occur by the end of the originally specified period.

Additional information regarding the use of derivatives is provided in note 17 and note 22.

### Counterparty credit risk

We manage counterparty credit risk, the risk that counterparties will default and not make payments to us according to the terms of the agreements, on an individual counterparty basis. Thus, when a legal right of offset exists, we net certain exposures by counterparty and include the value of collateral to determine the amount of ensuing exposure. When net exposure to a counterparty, based on the current market values of agreements and collateral, exceeds credit exposure limits (see following table), we take action to reduce exposure. Such actions include prohibiting additional transactions with the counterparty, requiring collateral from the counterparty (as described below) and terminating or restructuring transactions.

Swaps are required to be executed under master agreements containing mutual credit downgrade provisions that provide the ability to require assignment or termination in the event either party is downgraded below A3 or A-. In certain cases we have entered into collateral arrangements that provide us with the right to hold collateral (cash or U.S. Treasury or other highly-rated securities) when the current market value of derivative contracts exceeds a specified limit. We evaluate credit risk exposures and compliance with credit exposure limits net of such collateral.

Fair values of our derivatives assets and liabilities represent the replacement value of existing derivatives at market prices and can change significantly from period to period based on, among other factors, market movements and changes in our positions. At December 31, 2007, our exposure to counterparties, after consideration of netting arrangements and collateral, was about \$2,000 million.

Following is GECS policy relating to initial credit rating requirements and to exposure limits to counterparties.

### COUNTERPARTY CREDIT CRITERIA

|  | Credit rating      |                    |
|--|--------------------|--------------------|
|  | Moody's            | S&P                |
| Foreign exchange forwards and other derivatives less than one year | P-1                | A-1                |
| All derivatives between one and five years                         | Aa3 <sup>(a)</sup> | AA- <sup>(a)</sup> |
| All derivatives greater than five years                            | Aaa <sup>(a)</sup> | AAA <sup>(a)</sup> |

(a) Counterparties that have an obligation to provide collateral to cover credit exposure in accordance with a credit support agreement must have a minimum A3/A- rating.

### EXPOSURE LIMITS

(In millions)

| Minimum rating |     | Exposure <sup>(a)</sup>      |                                 |
|----------------|-----|------------------------------|---------------------------------|
| Moody's        | S&P | With collateral arrangements | Without collateral arrangements |
| Aaa            | AAA | \$100                        | \$75                            |
| Aa3            | AA- | 50                           | 50                              |
| A3             | A-  | 5                            | —                               |

(a) For derivatives with maturities less than one year, counterparties are permitted to have unsecured exposure up to \$150 million with a minimum rating of A-1/P-1.

### Note 27

#### Off-Balance Sheet Arrangements

We securitize financial assets in the ordinary course of business to improve shareowner returns. The securitization transactions we engage in are similar to those used by many financial institutions. Beyond improving returns, these securitization transactions serve as funding sources for a variety of diversified lending and securities transactions. Historically, we have used both GE-supported and third-party entities to execute off-balance sheet securitization transactions funded in the commercial paper and term bond markets. Assets in off-balance sheet securitization entities amounted to \$55,113 million and \$46,105 million at December 31, 2007 and 2006, respectively.

In a typical securitization transaction, we sell assets to a special purpose entity, which has obtained cash by issuing beneficial interests, usually debt, to third parties. These beneficial interests are credit enhanced, normally through overcollateralization, but also with other forms of liquidity and credit support arrangements.

Assets in off-balance sheet securitization entities comprise the following:

| December 31 (In millions)                  | 2007     | 2006     |
|--|----------|----------|
| Receivables secured by                     |          |          |
| Equipment                                  | \$ 6,552 | \$ 7,568 |
| Commercial real estate                     | 9,244    | 7,865    |
| Residential real estate                    | 204      | —        |
| Other assets                               | 12,880   | 13,257   |
| Credit card receivables                    | 22,793   | 13,497   |
| Trade receivables                          | 3,440    | 3,918    |
| Total securitized assets <sup>(a)(b)</sup> | \$55,113 | \$46,105 |

(a) At December 31, 2007 and 2006, liquidity support amounted to \$2,810 million and \$753 million, respectively. The December 31, 2006, amount is net of \$3,034 million deferred beyond one year. Credit support amounted to \$2,804 million and \$3,815 million at December 31, 2007 and 2006, respectively.

(b) Liabilities for recourse obligations related to off-balance sheet assets were \$2 million and \$15 million at December 31, 2007 and 2006, respectively.

Gross securitization gains amounted to \$1,812 million in 2007, compared with \$1,187 million in 2006 and \$1,051 million in 2005.

Amounts recognized in our financial statements related to sales to off-balance sheet securitization entities are as follows:

| December 31 (In millions) | 2007           | 2006           |
|---------------------------|----------------|----------------|
| Retained interests        | \$5,812        | \$4,740        |
| Servicing assets          | 8              | 14             |
| Servicing liabilities     | (10)           | (5)            |
| Recourse liabilities      | (2)            | (15)           |
| <b>Total</b>              | <b>\$5,808</b> | <b>\$4,734</b> |

- RETAINED INTERESTS.** When we securitize receivables, we determine fair value of retained interests based on discounted cash flow models that incorporate, among other things, assumptions about loan pool credit losses, prepayment speeds and discount rates. These assumptions are based on our experience, market trends and anticipated performance related to the particular assets securitized. We classify retained interests in securitized receivables as investment securities and mark them to fair value each reporting period, updating our models for current assumptions. These assets decrease as cash is received in payment. We recorded a loss in operations of \$106 million in 2007 to reflect decreases in fair value on retained interests in accordance with SFAS 155, *Accounting for Certain Hybrid Financial Instruments*. When the carrying amounts of other retained interests exceed their fair value, we evaluate whether the unrealized loss is other than temporary and, if it is, record any indicated loss in operations. We recorded \$113 million and \$37 million of other than temporary losses in operations during 2007 and 2006, respectively.
- SERVICING.** Following a securitization transaction, we also may provide servicing for a market-based fee based on remaining outstanding principal balances. Where the fee does not represent adequate compensation, a servicing asset or liability is recorded, as appropriate. Their value is subject to credit, prepayment and interest rate risk.
- RECOURSE LIABILITIES.** Certain transactions involve credit support agreements. As a result, we provide for expected credit losses at amounts that approximate fair value.

The following table summarizes data related to securitization sales of revolving and long-term receivables that we completed during 2007 and 2006.

| (Dollars in millions)                                   | Equipment | Commercial real estate | Credit card receivables | Other assets |
|---|-----------|------------------------|-------------------------|--------------|
| <b>2007</b>   |           |                        |                         |              |
| Cash proceeds from securitization                       | \$2,648   | \$3,245                | \$12,359                | \$ 2,400     |
| Proceeds from collections reinvested in new receivables | —         | —                      | 24,109                  | 32,509       |
| Cash received on retained interests                     | 155       | 117                    | 3,268                   | 449          |
| Cash received from servicing and other sources          | 24        | 26                     | 354                     | 168          |
| Weighted average lives (in months)                      | 24        | 78                     | 8                       | 41           |
| Assumptions as of sale date <sup>(a)</sup>              |           |                        |                         |              |
| Discount rate   | 12.6%     | 12.8%                  | 13.4%                   | 12.0%        |
| Prepayment rate <sup>(b)</sup>                          | 11.7      | 6.8                    | 11.0                    | 14.5         |
| Estimate of credit losses                               | 0.8       | 0.4                    | 6.8                     | 1.4          |
| <b>2006</b>   |           |                        |                         |              |
| Cash proceeds from securitization                       | \$2,784   | \$4,427                | \$ 5,251                | \$ 6,826     |
| Proceeds from collections reinvested in new receivables | —         | —                      | 16,360                  | 30,584       |
| Cash received on retained interests                     | 236       | 80                     | 2,307                   | 341          |
| Cash received from servicing and other sources          | 45        | 26                     | 219                     | 113          |
| Weighted average lives (in months)                      | 23        | 75                     | 7                       | 36           |
| Assumptions as of sale date <sup>(a)</sup>              |           |                        |                         |              |
| Discount rate   | 8.3%      | 12.8%                  | 12.0%                   | 7.0%         |
| Prepayment rate <sup>(b)</sup>                          | 10.4      | 7.6                    | 12.5                    | 9.9          |
| Estimate of credit losses                               | 1.4       | 0.5                    | 6.8                     | 0.2          |

(a) Based on weighted averages.

(b) Represented a payment rate on credit card receivables.

Key assumptions used in measuring the fair value of retained interests in securitizations and the sensitivity of the current fair value of residual cash flows to changes in those assumptions related to all outstanding retained interests as of December 31, 2007 and 2006, are noted in the following table.

| (Dollars in millions)                    | Equipment | Commercial real estate | Credit card receivables | Other assets |
|--|-----------|------------------------|-------------------------|--------------|
| <b>2007</b>                              |           |                        |                         |              |
| Discount rate <sup>(a)</sup>             | 12.8%     | 15.2%                  | 14.8%                   | 14.5%        |
| Effect of                                |           |                        |                         |              |
| 10% Adverse change                       | \$ (7)    | \$(20)                 | \$ (36)                 | \$ (5)       |
| 20% Adverse change                       | (13)      | (38)                   | (72)                    | (9)          |
| Prepayment rate <sup>(a)(b)</sup>        | 11.7%     | 3.4%                   | 10.8%                   | 16.2%        |
| Effect of                                |           |                        |                         |              |
| 10% Adverse change                       | \$ (2)    | \$ (5)                 | \$ (80)                 | \$ (3)       |
| 20% Adverse change                       | (3)       | (9)                    | (148)                   | (5)          |
| Estimate of credit losses <sup>(a)</sup> | 1.7%      | 1.0%                   | 9.0%                    | 0.5%         |
| Effect of                                |           |                        |                         |              |
| 10% Adverse change                       | \$ (5)    | \$ (8)                 | \$ (110)                | \$ (1)       |
| 20% Adverse change                       | (8)       | (13)                   | (222)                   | (2)          |
| Remaining weighted                       |           |                        |                         |              |
| average lives (in months)                | 22        | 53                     | 8                       | 26           |
| Net credit losses                        | \$ 36     | \$ 1                   | \$ 941                  | \$ 19        |
| Delinquencies                            | 51        | 12                     | 1,514                   | 4            |
| <b>2006</b>                              |           |                        |                         |              |
| Discount rate <sup>(a)</sup>             | 8.9%      | 13.2%                  | 11.2%                   | 6.4%         |
| Effect of                                |           |                        |                         |              |
| 10% Adverse change                       | \$ (10)   | \$(19)                 | \$ (15)                 | \$ (5)       |
| 20% Adverse change                       | (21)      | (35)                   | (30)                    | (10)         |
| Prepayment rate <sup>(a)(b)</sup>        | 11.7%     | 3.0%                   | 12.0%                   | 12.7%        |
| Effect of                                |           |                        |                         |              |
| 10% Adverse change                       | \$ (5)    | \$ (7)                 | \$ (59)                 | \$ (5)       |
| 20% Adverse change                       | (9)       | (13)                   | (110)                   | (10)         |
| Estimate of credit losses <sup>(a)</sup> | 2.3%      | 0.8%                   | 6.6%                    | 0.2%         |
| Effect of                                |           |                        |                         |              |
| 10% Adverse change                       | \$ (7)    | \$ (6)                 | \$ (48)                 | \$ (3)       |
| 20% Adverse change                       | (14)      | (8)                    | (95)                    | (6)          |
| Remaining weighted                       |           |                        |                         |              |
| average lives (in months)                | 31        | 47                     | 8                       | 18           |
| Net credit losses                        | \$ 58     | \$ —                   | \$ 576                  | \$ —         |
| Delinquencies                            | 121       | 13                     | 741                     | 12           |

(a) Based on weighted averages.

(b) Represented a payment rate on credit card receivables.

## Note 28

### Commitments and Guarantees

#### Commitments, including guarantees

In our Aviation business of Infrastructure, we had committed to provide financial assistance on \$1,607 million of future customer acquisitions of aircraft equipped with our engines, including commitments made to airlines in 2007 for future sales under our GE90 and GENx engine campaigns. The Aviation Financial Services business of Infrastructure had placed multiple-year orders for various Boeing, Airbus and other aircraft with list prices approximating \$20,046 million and secondary orders with airlines for used aircraft of approximately \$910 million at December 31, 2007.

At December 31, 2007, NBC Universal had \$9,722 million of commitments to acquire motion picture and television programming, including U.S. television rights to future Olympic Games and National Football League games, contractual commitments under various creative talent arrangements and various other arrangements requiring payments through 2014.

At December 31, 2007, we were committed under the following guarantee arrangements beyond those provided on behalf of securitization entities. See note 27.

- CREDIT SUPPORT.** We have provided \$8,126 million of credit support on behalf of certain customers or associated companies, predominantly joint ventures and partnerships, using arrangements such as standby letters of credit and performance guarantees. These arrangements enable these customers and associated companies to execute transactions or obtain desired financing arrangements with third parties. Should the customer or associated company fail to perform under the terms of the transaction or financing arrangement, we would be required to perform on their behalf. Under most such arrangements, our guarantee is secured, usually by the asset being purchased or financed, but possibly by certain other assets of the customer or associated company. The length of these credit support arrangements parallels the length of the related financing arrangements or transactions. The liability for such credit support was \$57 million for December 31, 2007.
- INDEMNIFICATION AGREEMENTS.** These are agreements that require us to fund up to \$608 million under residual value guarantees on a variety of leased equipment and \$1,718 million of other indemnification commitments arising primarily from sales of businesses or assets. Under most of our residual value guarantees, our commitment is secured by the leased asset at termination of the lease. The liability for these indemnification agreements was \$51 million at December 31, 2007.
- CONTINGENT CONSIDERATION.** These are agreements to provide additional consideration in a business combination to the seller if contractually specified conditions related to the acquired entity are achieved. At December 31, 2007, we had total maximum exposure for future estimated payments of \$220 million, of which none was earned and payable.

Our guarantees are provided in the ordinary course of business. We underwrite these guarantees considering economic, liquidity and credit risk of the counterparty. We believe that the likelihood is remote that any such arrangements could have a significant adverse effect on our financial position, results of operations or liquidity. We record liabilities for guarantees at estimated fair value, generally the amount of the premium received, or if we do not receive a premium, the amount based on appraisal, observed market values or discounted cash flows. Any associated expected recoveries from third parties are recorded as other receivables; not netted against the liabilities.

### Product warranties

We provide for estimated product warranty expenses when we sell the related products. Because warranty estimates are forecasts that are based on the best available information—mostly historical claims experience—claims costs may differ from amounts provided. An analysis of changes in the liability for product warranties follows.

| (In millions)               | 2007    | 2006    | 2005    |
|-----------------------------|---------|---------|---------|
| Balance at January 1        | \$1,339 | \$1,240 | \$1,481 |
| Current year provisions     | 637     | 885     | 525     |
| Expenditures <sup>(a)</sup> | (573)   | (785)   | (766)   |
| Other changes               | 138     | (1)     | —       |
| Balance at December 31      | \$1,541 | \$1,339 | \$1,240 |

(a) Primarily related to Infrastructure and Healthcare.

## Note 29

### Quarterly Information (Unaudited)

| (In millions; per-share amounts in dollars)                    | First quarter |          | Second quarter |          | Third quarter |          | Fourth quarter |          |
|--|---------------|----------|----------------|----------|---------------|----------|----------------|----------|
|  | 2007          | 2006     | 2007           | 2006     | 2007          | 2006     | 2007           | 2006     |
| <b>CONSOLIDATED</b>  |               |          |                |          |               |          |                |          |
| Earnings from continuing operations                            | \$ 4,928      | \$ 4,006 | \$ 5,613       | \$ 4,685 | \$ 5,106      | \$ 4,744 | \$ 6,821       | \$ 5,945 |
| Earnings (loss) from discontinued operations                   | (357)         | 513      | (231)          | 236      | 453           | 117      | (125)          | 496      |
| Net earnings   | \$ 4,571      | \$ 4,519 | \$ 5,382       | \$ 4,921 | \$ 5,559      | \$ 4,861 | \$ 6,696       | \$ 6,441 |
| Per-share amounts—earnings from continuing operations          |               |          |                |          |               |          |                |          |
| Diluted earnings per share                                     | \$ 0.48       | \$ 0.38  | \$ 0.54        | \$ 0.45  | \$ 0.50       | \$ 0.46  | \$ 0.68        | \$ 0.58  |
| Basic earnings per share                                       | 0.48          | 0.38     | 0.55           | 0.45     | 0.50          | 0.46     | 0.68           | 0.58     |
| Per-share amounts—earnings (loss) from discontinued operations |               |          |                |          |               |          |                |          |
| Diluted earnings per share                                     | (0.03)        | 0.05     | (0.02)         | 0.02     | 0.04          | 0.01     | (0.01)         | 0.05     |
| Basic earnings per share                                       | (0.03)        | 0.05     | (0.02)         | 0.02     | 0.04          | 0.01     | (0.01)         | 0.05     |
| Per-share amounts—net earnings                                 |               |          |                |          |               |          |                |          |
| Diluted earnings per share                                     | 0.44          | 0.43     | 0.52           | 0.47     | 0.54          | 0.47     | 0.66           | 0.62     |
| Basic earnings per share                                       | 0.44          | 0.43     | 0.52           | 0.47     | 0.55          | 0.47     | 0.67           | 0.63     |
| <b>SELECTED DATA</b>   |               |          |                |          |               |          |                |          |
| <b>GE</b>  |               |          |                |          |               |          |                |          |
| Sales of goods and services                                    | \$21,688      | \$21,143 | \$24,269       | \$22,041 | \$24,690      | \$22,180 | \$29,149       | \$24,555 |
| Gross profit from sales  | 5,660         | 5,394    | 6,537          | 6,192    | 6,357         | 5,836    | 7,757          | 7,133    |
| <b>GECS</b>  |               |          |                |          |               |          |                |          |
| Total revenues   | 17,485        | 14,394   | 17,235         | 14,937   | 18,120        | 15,586   | 19,346         | 16,709   |
| Earnings from continuing operations                            | 3,424         | 2,317    | 2,421          | 2,505    | 3,214         | 2,521    | 3,369          | 2,912    |

For GE, gross profit from sales is sales of goods and services less costs of goods and services sold.

Earnings-per-share amounts are computed independently each quarter for earnings from continuing operations, earnings (loss) from discontinued operations and net earnings. As a result, the

sum of each quarter's per-share amount may not equal the total per-share amount for the respective year; and the sum of per-share amounts from continuing operations and discontinued operations may not equal the total per-share amounts for net earnings for the respective quarters.

**Note 30****Immaterial Corrections**

As previously reported, we are conducting an internal review of revenue recognition matters in connection with an ongoing SEC investigation. In the course of that review, we have identified certain immaterial non-cash items that we have corrected from amounts in previous annual reports. These items are as follows:

**Cut-off**

This adjustment corrected instances in which we recorded revenues upon shipment before we sufficiently transferred risks of transit loss, risks that we retained sometimes through retention of a layer of insurance risk and sometimes as a consequence of making voluntary customer concessions. In February 2008, during our ongoing review we identified errors in corrections recorded for cut-off. Like any error of comparable insignificance discovered at a comparable point in closing, these were not adjusted in the accompanying financial statements. These amounts are included

below, but removed under the caption, "Not adjusted." Amounts not corrected would have increased 2007 revenues by \$39 million and earnings from continuing operations and net earnings by \$12 million.

**Contract cost**

This adjustment corrected instances in our Aviation product services agreements in which we attributed excess credit to services contracts for profits on refurbished spare parts.

**Spare parts profit**

This adjustment corrected effects of a 2002 and subsequent overestimate of contract-to-date profitability on spare parts related to certain long-term product services agreements.

**Contract estimates**

This adjustment corrected effects of an error in applying revenue measurement principles in certain Infrastructure businesses subject to AICPA Statement of Position 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*.

| Increase (decrease) (In millions)                                    | 2006          |                |               |                |           | Year      |           |                     |
|--|---------------|----------------|---------------|----------------|-----------|-----------|-----------|---------------------|
|  | First quarter | Second quarter | Third quarter | Fourth quarter | Total     | 2005      | 2004      | 2003 <sup>(a)</sup> |
| <b>GE CONSOLIDATED</b>   |               |                |               |                |           |           |           |                     |
| <b>Revenues</b>  |               |                |               |                |           |           |           |                     |
| As reported  | \$35,314      | \$37,228       | \$37,880      | \$41,837       | \$152,259 | \$136,722 | \$124,016 | \$104,669           |
| Cut-off  | 293           | (128)          | 10            | (536)          | (361)     | (177)     | 59        | (15)                |
| Contract cost  | (25)          | (10)           | (24)          | (76)           | (135)     | (78)      | (19)      | (31)                |
| Spare parts profit   | 21            | 15             | (9)           | 34             | 61        | 163       | 152       | (39)                |
| Contract estimates   | —             | —              | —             | —              | —         | —         | (12)      | (1)                 |
| Not adjusted   | (13)          | 6              | 8             | 18             | 19        | (50)      | (20)      | 41                  |
| Adjusted   | \$35,590      | \$37,111       | \$37,865      | \$41,277       | \$151,843 | \$136,580 | \$124,176 | \$104,624           |
| <b>Earnings from continuing operations before accounting changes</b> |               |                |               |                |           |           |           |                     |
| As reported  | \$ 3,925      | \$ 4,712       | \$ 4,750      | \$ 6,079       | \$ 19,466 | \$ 17,343 | \$ 15,574 | \$ 13,319           |
| Cut-off  | 81            | (36)           | 8             | (115)          | (62)      | (46)      | (12)      | (15)                |
| Contract cost  | (9)           | (2)            | (11)          | (45)           | (67)      | (30)      | (6)       | (14)                |
| Spare parts profit   | 13            | 9              | (5)           | 21             | 38        | 102       | 96        | (25)                |
| Contract estimates   | —             | —              | —             | —              | —         | —         | (8)       | —                   |
| Not adjusted   | (4)           | 2              | 2             | 5              | 5         | (15)      | (6)       | 12                  |
| Adjusted   | \$ 4,006      | \$ 4,685       | \$ 4,744      | \$ 5,945       | \$ 19,380 | \$ 17,354 | \$ 15,638 | \$ 13,277           |
| <b>Net earnings</b>  |               |                |               |                |           |           |           |                     |
| As reported  | \$ 4,440      | \$ 4,946       | \$ 4,867      | \$ 6,576       | \$ 20,829 | \$ 16,711 | \$ 17,160 | \$ 15,561           |
| Cut-off  | 79            | (34)           | 8             | (116)          | (63)      | (48)      | (14)      | (16)                |
| Contract cost  | (9)           | (2)            | (11)          | (45)           | (67)      | (30)      | (6)       | (14)                |
| Spare parts profit   | 13            | 9              | (5)           | 21             | 38        | 102       | 96        | (25)                |
| Contract estimates   | —             | —              | —             | —              | —         | —         | (8)       | —                   |
| Not adjusted   | (4)           | 2              | 2             | 5              | 5         | (15)      | (6)       | 12                  |
| Adjusted   | \$ 4,519      | \$ 4,921       | \$ 4,861      | \$ 6,441       | \$ 20,742 | \$ 16,720 | \$ 17,222 | \$ 15,518           |

(a) Amounts for 2003 have been revised to correct an error in the spare parts profit adjustments previously reported in our filing on Form 8-K dated January 18, 2008. This correction decreased 2003 net earnings by \$202 million, correcting an adjustment of the same amount previously attributed to one correction in 2002.

**Note 31****Subsequent Event**

On February 4, 2008, we acquired most of Merrill Lynch and Co., Inc.'s wholly-owned middle-market commercial finance business, Merrill Lynch Capital. This acquisition of over \$12 billion in assets

expands our Commercial Finance business, and was primarily funded through the issuance of debt by GECS in the first quarter of 2008.

## Our Businesses

A description of operating segments for General Electric Company and consolidated affiliates as of December 31, 2007, and the basis for presentation in this report, follows.

### Infrastructure

Jet engines, aerospace systems and equipment, replacement parts and repair and maintenance services for all categories of commercial aircraft; for a wide variety of military aircraft, including fighters, bombers, tankers and helicopters; for marine applications; and for executive and regional aircraft. Products and services are sold worldwide to airframe manufacturers, airlines and government agencies.

Transportation products and maintenance services, including diesel electric locomotives, transit propulsion equipment, motorized wheels for off-highway vehicles, gearing technology for wind turbines, drill motors, marine and stationary power generation, and railway signaling and office systems.

Financial products to airlines, aircraft operators, owners, lenders and investors, including leases, aircraft purchasing and trading, loans, engine/spare parts financing, fleet planning and financial advisory services.

Power plant products and services, including design, installation, operation and maintenance services are sold into global markets. Gas, steam and aeroderivative turbines, generators, combined cycle systems, controls and related services, including total asset optimization solutions, equipment upgrades and long-term maintenance service agreements are sold to power generation and other industrial customers. Renewable energy solutions include wind turbines and solar technology. Advanced technology equipment, principally compressors and turbines, and associated services (including pipeline inspection and integrity solutions) for applications across the oil and gas industry from the wellhead through distribution by pipeline. The acquisition of Vetco Gray has added products, systems and services for on-shore and off-shore drilling, completion and production to the portfolio.

Water treatment services and equipment, including specialty chemical treatment programs, water purification equipment, mobile treatment systems and desalination processes.

Financial products to the global energy and water industries include structured and common equity, debt, leasing, project finance, broad-based commercial finance and investments in operating leases.

### Commercial Finance

Loans, leases and other financial services to customers, including manufacturers, distributors and end-users for a variety of equipment and major capital assets. These assets include industrial-related facilities and equipment; commercial and residential real estate; vehicles; corporate aircraft; and equipment used in many industries, including the construction, manufacturing, transportation, telecommunications and healthcare industries.

### GE Money

Private-label credit cards; personal loans; bank cards; auto loans and leases; mortgages; debt consolidation; home equity loans; corporate travel and purchasing cards; deposits and other savings products; small and medium enterprise lending; and credit insurance on a global basis.

### Healthcare

Diagnostic imaging systems such as magnetic resonance (MR), computed tomography (CT) and positron emission tomography (PET) scanners, X-ray, nuclear imaging and ultrasound. Patient monitoring, diagnostic cardiology, bone densitometry, anesthesia, oxygen therapy, neonatal and critical care devices. Related services, including equipment monitoring and repair, information technologies and customer productivity services. Diagnostic imaging agents used in medical scanning procedures, products used in the purification of biopharmaceuticals, and tools for protein and cellular analysis for pharmaceutical and academic research. Products and services are sold worldwide to hospitals, medical facilities, pharmaceutical and biotechnology companies, and to the life science research market.

### NBC Universal

Principal businesses are the broadcast of U.S. network television, production and distribution of motion pictures and television programs, operation of 26 television stations, operation of cable/satellite television networks around the world, operation of theme parks, and investment and programming activities in digital media and the Internet.

### Industrial

Major appliances and related services for products such as refrigerators, freezers, electric and gas ranges, cooktops, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners and residential water system products. These products are distributed both to retail outlets and direct to consumers, mainly for the replacement market, and to building contractors and distributors for new installations. Lighting products include a wide variety of lamps and lighting fixtures, including light-emitting diodes. Electrical distribution and control equipment includes power delivery and control products such as transformers, meters and relays. Products and services are sold in North America and in global markets under various GE and private-label brands.

Measurement equipment (products and subsystems for sensing temperature, flow rates, humidity, pressure and inspection equipment that monitors and tests materials without disassembly or damaging them). Security equipment and systems, including intrusion and access control systems, video surveillance and sensor monitoring equipment, integrated facility monitoring systems and explosive detection systems. A broad range of automation hardware and software. Markets are extremely diverse. Products and services are sold to residential, commercial and industrial end-users, including utilities; original equipment manufacturers; electrical distributors; retail outlets; airports; railways; and transit authorities. Increasingly, products and services are developed for and sold in global markets.