

## Operations

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

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

We present Management's Discussion of Operations in five parts: Overview of Our Earnings from 2006 through 2008, Global Risk Management, Segment Operations, Geographic Operations and Environmental Matters. Unless otherwise indicated, we refer to captions such as revenues and earnings from continuing operations simply as "revenues" and "earnings" throughout this Management's Discussion and Analysis. Similarly, discussion of other matters in our consolidated financial statements relates to continuing operations unless otherwise indicated.

### **Overview of Our Earnings from 2006 through 2008**

Our results for the last three years reflect our strategy to strengthen our position as a worldwide growth company operating in diverse industries in which we maintain strong market-leader positions. During 2008, we encountered unprecedented conditions in the world economy and financial markets that affected all of our businesses. Over the three-year period our consolidated revenues grew 20% on organic growth that averaged 6% per year, yet earnings declined 6%. Our financial services businesses were most significantly affected as earnings fell 24% on a 16% increase in revenues over this three-year period.

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

Energy Infrastructure (19% and 18% of consolidated three-year revenues and total segment profit, respectively) was well positioned to grow significantly over the last several years as the worldwide demand for energy, and for alternative sources of power, such as wind and thermal, rose to new levels. This resulted in a 53% increase in revenues and a 73% increase in segment profit over the three-year period. We continued to invest in market-leading technology and services at Energy, Oil & Gas and Water.

Technology Infrastructure (25% and 29% of consolidated three-year revenues and total segment profit, respectively) grew revenues 23% and earnings 12% over the three-year period as we continued to invest in market-leading technologies and services at Aviation and Transportation and strategic acquisitions at Healthcare. Aviation continued to grow revenues and earnings to record levels as one of the world's leading providers of aircraft engines and services. The Aviation orders backlog also continued to grow, positioning us well for the future. Product services and sales of our Evolution Series locomotives contributed to Transportation's growth over the last three years and we have invested heavily in expanding our global platform. Healthcare realized benefits from the acquisition of IDX Systems Corporation in 2006, expanding the breadth of our product and service offerings to the healthcare industry. Healthcare was adversely affected by the effects of the Deficit Reduction Act on U.S. equipment sales. In addition, lower sales of surgical imaging equipment resulted from a regulatory suspension on shipments at one of our facilities. We began shipping some of these products in the first half of 2008. Enterprise Solutions offers protection and productivity solutions such as safe facilities, plant automation, power control and sensing applications.

NBC Universal (10% and 11% of consolidated three-year revenues and total segment profit, respectively) is a diversified media and entertainment company that has grown through business and geographic diversity. While the television business continues to be challenged by the effects of a difficult economy, our cable business continues to grow and become more profitable. Our film business also continues to perform well, with consistent contributions to earnings.

Capital Finance (37% and 39% of consolidated three-year revenues and total segment profit, respectively) is a strong, focused business with leading positions in several mid-market, corporate and consumer financing segments. Our performance has been strong over the long-term, with solid risk management and underwriting through various credit cycles. More recently, we have been affected by economic changes, specifically the disruptions in capital markets, challenging credit market environment and rising unemployment. Our earnings in 2008 and 2007 were \$8.6 billion and \$12.2 billion, respectively. We expect the current challenging credit and economic environment to continue to affect our earnings in 2009. Throughout 2008, we tightened underwriting standards, shifted teams from origination to collection and maintained a proactive risk management focus. Our focus is to manage through the current challenging credit environment and reposition GE Capital as a diversely funded and smaller finance company.

Consumer & Industrial (7% and 3% of consolidated three-year revenues and total segment profit, respectively) is particularly sensitive to changes in economic conditions. Reflective of the downturn in the U.S. housing market, Consumer & Industrial revenues have declined over the three-year period. In response to these tough economic conditions, in 2007, Consumer & Industrial began a restructuring plan focused on reducing manufacturing capacity and transferring work to lower-cost countries. Despite

these cost reduction efforts, segment profit declined on higher material and other costs.

Overall, acquisitions contributed \$7.4 billion, \$7.7 billion and \$3.9 billion to consolidated revenues in 2008, 2007 and 2006, respectively. Our consolidated earnings included approximately \$0.8 billion in 2008, and \$0.5 billion in both 2007 and 2006, from acquired businesses. We integrate acquisitions as quickly as possible. Only revenues and earnings from the date we complete the acquisition through the end of the fourth following quarter are attributed to such businesses. Dispositions also affected our ongoing results through higher revenues of \$0.1 billion in 2008 and lower revenues of \$3.6 billion and \$1.3 billion in 2007 and 2006, respectively. This resulted in higher earnings of \$0.4 billion in both 2008 and 2007, and \$0.1 billion in 2006.

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

**DISCONTINUED OPERATIONS.** In September 2007, we committed to a plan to sell our Japanese personal loan business (Lake) upon determining that, despite restructuring, Japanese regulatory limits for interest charges on unsecured personal loans did not permit us to earn an acceptable return. During 2008, we completed the sale of GE Money Japan, which included Lake, along with our Japanese mortgage and card businesses, excluding our minority ownership in GE Nissen Credit Co., Ltd. In December 2007, we completed the exit of WMC as a result of continued pressures in the U.S. subprime mortgage industry. Both of these businesses were previously reported in the Capital Finance segment.

In August 2007, we completed the sale of our Plastics business. We sold this business because of its cyclical nature, rising costs of natural gas and raw materials, and the decision to redeploy capital resources into higher-growth businesses. During 2006, we sold our Advanced Materials business.

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

We reported the businesses described above as discontinued operations for all periods presented. For further information about discontinued operations, see Note 2.

**WE DECLARED \$12.6 BILLION IN DIVIDENDS IN 2008.** Common per-share dividends of \$1.24 were up 8% from 2007, following a 12% increase from the preceding year. On February 6, 2009, our Board of Directors approved a regular quarterly dividend of \$0.31 per share of common stock, which is payable April 27, 2009, to shareholders of record at close of business on February 23, 2009. This payment will complete the dividend for the first half of 2009. The Board will continue to evaluate the Company's dividend level for the second half of 2009 in light of the growing uncertainty in the economy, including U.S. government actions, rising unemployment and the recent announcements by the rating agencies. In 2008, we declared \$0.1 billion in preferred stock dividends.

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

**GE SALES OF PRODUCT SERVICES** were \$35.5 billion in 2008, a 10% increase from 2007. Increases in product services in 2008 and 2007 were led by growth at Energy Infrastructure and Technology Infrastructure. Operating profit from product services was \$9.3 billion in 2008, up 3% from 2007.

**POSTRETIREMENT BENEFIT PLANS** costs were \$2.2 billion, \$2.6 billion and \$2.3 billion in 2008, 2007 and 2006, respectively. The cost decreased in 2008 primarily because of the effects of prior years' investment gains, higher discount rates and benefits from new healthcare supplier contracts, partially offset by additional costs of plan benefits resulting from union negotiations and a pensioner increase in 2007. The cost increased in 2007 primarily because of plan benefit changes resulting from new U.S. labor agreements and increases in retiree medical and drug costs, partially offset by increases in discount rates for the year and effects of recent investment gains. The cost increased in 2006 primarily because of the effects of prior-years' investment losses and lower discount rates.

Considering the current and expected asset allocations, as well as historical and expected returns on various categories of assets in which our plans are invested, we have assumed that long-term returns on our principal pension plan assets will be 8.5% for cost recognition in 2009, the same level as we assumed in 2008, 2007 and 2006. GAAP provides recognition of differences between assumed and actual returns over a period no longer than the average future service of employees.

We expect the costs of our postretirement benefits in 2009 to be about the same as the 2008 costs. The effects of decreasing discount rates (principal pension plans' discount rate decreasing from 6.34% to 6.11%) will be largely offset by prior-years' investment gains and benefits from new healthcare supplier contracts. Assuming our 2009 actual experience is consistent with our current benefit assumptions (e.g., expected return on assets, discount rates and healthcare trend rates), we expect that costs of our postretirement benefits will increase by approximately \$1.0 billion in 2010 as compared to 2009, primarily due to amortization of our unamortized losses relating to our principal pension plans.

Our principal pension plans were underfunded by \$4.4 billion at the end of 2008 as compared to overfunded by \$16.8 billion at December 31, 2007. At December 31, 2008, the GE Pension Plan was underfunded by \$0.9 billion and the GE Supplementary Pension Plan, which is an unfunded plan, had a projected benefit obligation of \$3.5 billion. The reduction in surplus from year-end 2007 was primarily attributable to asset investment performance resulting from the deteriorating market conditions and economic environment in 2008. Our principal pension plans' assets decreased from \$59.7 billion at the end of 2007 to \$40.7 billion at December 31, 2008, a 28.2% decline in investment values during the year. Assets of the GE Pension Plan are held in trust, solely for the benefit of Plan participants, and are not available for general Company operations. Although the reduction in pension plan assets in 2008 will impact future pension plan costs, the Company's requirement to make future cash contributions to the Trust will depend on future market and economic conditions.

On an Employee Retirement Income Security Act (ERISA) basis, the GE Pension Plan remains fully funded at January 1, 2009. We will not make any contributions to the GE Pension Plan in 2009. Assuming our 2009 actual experience is consistent with our current benefit assumptions (e.g., expected return on assets and interest rates), we will not be required to make contributions to the GE Pension Plan in 2010.

At December 31, 2008, the fair value of assets for our other pension plans was \$2.4 billion less than the respective projected benefit obligations. The comparable amount at December 31, 2007 was \$1.6 billion. We expect to contribute \$0.7 billion to our other pension plans in 2009, compared with actual contributions of \$0.6 billion and \$0.7 billion in 2008 and 2007, respectively. Our principal retiree health and life plans obligations exceeded the fair value of related assets by \$10.8 billion and \$11.2 billion at December 31, 2008 and 2007, respectively. We fund our retiree health benefits on a pay-as-you-go basis. We expect to contribute \$0.7 billion to these plans in 2009 compared with actual contributions of \$0.6 billion in 2008 and 2007.

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

**GE OTHER COSTS AND EXPENSES** are selling, general and administrative expenses. These costs were 12.9%, 14.2% and 14.3% of total GE sales in 2008, 2007 and 2006, respectively.

**INTEREST ON BORROWINGS AND OTHER FINANCIAL CHARGES** amounted to \$26.2 billion, \$23.8 billion and \$18.9 billion in 2008, 2007 and 2006, respectively. Substantially all of our borrowings are in financial services, where interest expense was \$25.1 billion, \$22.7 billion and \$17.8 billion in 2008, 2007 and 2006, respectively. Average borrowings increased over the three-year period. Interest rates increased from 2006 to 2007 attributable to rising credit spreads. Interest rates have decreased from 2007 to 2008 in line with general market conditions. GECS average borrowings were

\$521.2 billion, \$456.4 billion and \$389.0 billion in 2008, 2007 and 2006, respectively. GECS average composite effective interest rate was 4.8% in 2008, 5.0% in 2007 and 4.6% in 2006. In 2008, GECS average assets of \$667.2 billion were 13% higher than in 2007, which in turn were 17% higher than in 2006. We anticipate that our composite rates will continue to decline through 2009 as a result of decreased benchmark rates globally. However, these decreases in benchmark rates will be partially offset by higher credit spreads and fees associated with government guarantees and higher cash balances resulting from pre-funding of debt maturities and the need to maintain greater liquidity in the current environment. See the Liquidity and Borrowings section for a discussion of liquidity, borrowings and interest rate risk management.

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

Income taxes on consolidated earnings from continuing operations were 5.5% in 2008 compared with 15.6% in 2007 and 16.9% in 2006. Our consolidated income tax rate decreased from 2007 to 2008 primarily because of a reduction during 2008 of income in higher-taxed jurisdictions. This increased the relative effect of tax benefits from lower-taxed global operations on the tax rate. In addition, earnings from lower-taxed global operations increased from 2007 to 2008. The increase in the benefit from lower-taxed global operations includes a benefit from the 2008 decision to indefinitely reinvest, outside the U.S., prior-year earnings because the use of foreign tax credits no longer required the repatriation of those prior-year earnings.

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

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

Because GE tax expense does not include taxes on GECS earnings, the GE effective tax rate is best analyzed in relation to GE earnings excluding GECS. GE pre-tax earnings from continuing operations, excluding GECS earnings from continuing operations, were \$13.7 billion, \$12.8 billion and \$11.7 billion for 2008, 2007 and 2006, respectively. On this basis, GE's effective tax rate was 24.9% in 2008, 21.8% in 2007 and 21.9% in 2006.

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

	Audit resolutions — effect on GE excluding GECS tax rate		
	2008	2007	2006
Tax on global activities including exports	— %	(2.7)%	(0.8)%
All other — net	(0.6)	(2.4)	(0.8)
	(0.6)%	(5.1)%	(1.6)%

The GE effective tax rate increased from 2007 to 2008 because of the 4.5 percentage point lower 2008 benefit from favorable audit resolutions, partially offset by a 1.0 percentage point increase in the benefit in lower-taxed earnings from global operations, excluding audit resolutions.

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

The 2006 GE rate reflects the favorable audit resolutions shown above and the benefit of lower-taxed earnings from global operations including tax benefits from planning to use non-U.S. net operating losses against profitable operations.

The GECS effective tax rate was (44.0)% in 2008, compared with 9.9% in 2007 and 12.0% in 2006. GE and GECS file a consolidated U.S. federal income tax return that enables GE to use GECS tax deductions and credits to reduce the tax that otherwise would have been payable by GE. The GECS effective tax rate for each period reflects the benefit of these tax reductions. GE makes cash payments to GECS for these tax reductions at the time GE's tax payments are due.

The GECS rate decreased from 2007 to 2008 primarily because of a reduction during 2008 of income in higher-taxed jurisdictions. This increased the relative effect of tax benefits from lower-taxed global operations on the tax rate, reducing the rate 32.7 percentage points. In addition, earnings from lower-taxed global operations increased from 2007 to 2008, causing an additional 20.7 percentage point rate reduction. The increase in the benefit from lower-taxed global operations includes 6.5 percentage points from the 2008 decision to indefinitely reinvest, outside the U.S., prior-year earnings because the use of foreign tax credits no longer required the repatriation of those prior-year earnings.

The GECS income tax rate decreased from 2006 to 2007 as the tax benefit on the disposition of its investment in SES and growth in lower-taxed global earnings, which decreased the GECS effective tax rate 4.0 and 1.0 percentage points, respectively, were partially offset by higher net tax expense related to U.S. and non-U.S. audit activity and from the absence of the 2006 benefit of the reorganization, discussed below, of our aircraft leasing business, which increased the rate 1.6 and 1.1 percentage points, respectively.

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

### **Global Risk Management**

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

The GE Board of Directors maintains overall responsibility for risk oversight, with a focus on the most significant risks facing GE. The Board's Audit Committee oversees GE's risk policies and processes relating to the financial statements and financial reporting process. The Board's Public Responsibilities Committee oversees risks involved in GE's public policy initiatives, the environment and similar matters. The Board's Management Development and Compensation Committee oversees risk related to compensation.

The Board's oversight process builds upon our management's risk management and assessment processes, which include long-term strategic planning, executive development and evaluation, regulatory and litigation compliance reviews, environmental compliance reviews, GECS Corporate Risk Function and the Corporate Risk Committee. Each year, management and the Board jointly develop a list of major risks that GE plans to address. Throughout the year, either the Board or one of its committees dedicates a portion of their meetings to review and discuss these risk topics in greater detail. Strategic and operational risks are covered in the CEO's report on operations to the Board at regularly scheduled Board meetings. At least twice a year, the Audit Committee receives a risk update from the GECS risk officer, which focuses on GECS risk strategy and its financial services portfolio, including its processes for managing credit and market risk within its portfolio. In addition, each year, and in some years more frequently, the Audit Committee receives a comprehensive report from GE's Treasurer on GECS capital markets exposure and its liquidity and funding risks and a comprehensive report from GE's General Counsel covering compliance issues. Each year, the Committee also reviews and discusses topics related to the financial reporting process, including an update on information technology, controllership, insurance, tax strategies and policies, accounting and numerous reports on regulation, compliance, litigation and investigations affecting GE businesses.

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

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

Threshold responsibility for identifying, quantifying and mitigating risks is assigned to our individual businesses. We employ proprietary analytic models to allocate capital to our financing activities, to identify the primary sources of risk and to measure the amount of risk we will take for each product line. This approach allows us to develop early signals that monitor changes in risk affecting portfolio performance and actively manage the portfolio. Other corporate functions such as Controllership, Financial Planning and Analysis, Treasury, Legal and our Corporate Audit Staff support business-level risk management. Businesses that, for example, hedge financial risk with derivative financial instruments must do so using our centrally managed Treasury function, providing assurance that the business strategy complies with our corporate policies and achieves economies of scale. We review risks periodically with business-level risk managers, senior management and our Board of Directors.

Dedicated risk professionals across the businesses include underwriters, portfolio managers, collectors, environmental and engineering specialists, and specialized asset managers who evaluate leased asset residuals and remarket off-lease equipment. The senior risk officers have, on average, over 25 years of experience.

We manage a variety of risks including liquidity, credit, market and government and regulatory risks.

- Liquidity risk is the risk of being unable to accommodate liability maturities, fund asset growth and meet contractual obligations through access to funding at reasonable market rates. Additional information about our liquidity and how we manage this risk can be found in the Financial Resources and Liquidity section and in Notes 18 and 29.
- Credit risk is the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations. We face credit risk in our investing, lending and leasing activities and derivative financial instruments activities (see the Financial Resources and Liquidity and Critical Accounting Estimates sections and Notes 1, 9, 12, 13, 29 and 31).
- Market risk is the potential loss in value of investment and other asset and liability portfolios, including financial instruments and residual values of leased assets. This risk is caused by changes in market variables, such as interest and currency exchange rates and equity and commodity prices. We are exposed to market risk in the normal course of our business operations as a result of our ongoing investing and funding activities. Additional information can be found in the Financial Resources and Liquidity section and in Notes 6, 9, 12, 14, 28 and 29.
- Government and regulatory risk is the risk that the government or regulatory authorities will implement new laws or rules, amend existing laws or rules, or interpret or enforce them in ways that would cause us to have to change our business models or practices. We manage these risks through the GECS Board, our Policy Compliance Review Board and our Corporate Risk Committee.

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

Our risk management approach has the following major tenets: a broad spread of risk based on managed exposure limits; senior, secured commercial financings; and a hold to maturity model with transactions underwritten to our "on-book" standards.

The GECC financing portfolios comprise approximately 70% commercial and 30% consumer risk activities, with 53% of the portfolio outside the U.S. Exposure to developing markets is 11% of the portfolio and is primarily through our Eastern European banking operations and Mexican commercial financing activities—where we have operated for over 10 years—and various minority-owned joint ventures.

The commercial portfolio has a maximum single industry concentration of 6%, excluding the commercial aircraft financing and the commercial real estate businesses, which are diversified separately within their respective portfolios. 67% of all commercial exposures are less than \$100 million to any one customer, while 55% are less than \$50 million. Our commercial aircraft financing business owns 1,494 aircraft—56% are narrow body planes and predominantly newer, high-demand models, while only 15% are smaller regional jets and older Boeing 737 classic aircraft. The average age of the fleet is 7 years and our customers include over 230 airlines located in 70 countries. Leased collateral represents asset types we have over 20 years experience managing.

The commercial real estate business consists of a real estate investment portfolio, a real estate lending portfolio, and a single tenant financing portfolio. The real estate investment and lending portfolios are global and consist of approximately 8,000 individual properties in 2,600 cities in 31 countries with an average property investment of under \$10 million.

- Our real estate investment portfolio includes approximately 3,200 properties located in 900 cities and 22 countries, with 71% of this portfolio outside the U.S., primarily located in Europe, the U.K., Asia, Canada and Mexico, across a wide variety of property types including office, industrial/warehouse, and multifamily.
- Our real estate lending portfolio is secured by approximately 4,800 properties in 1,900 cities and 25 countries, with 44% of the assets securing this portfolio located outside the U.S., across a wide variety of property types including office, multi-family and hotel.
- The single tenant financing portfolio has approximately 4,200 properties in 1,360 cities in the U.S. and Canada, and an average loan size under \$3 million.

The U.S. consumer portfolio includes private-label credit card and sales financing for over 56 million accounts. The portfolio includes customers across the U.S. and no metropolitan statistical area accounts for more than 4% of the portfolio. The average credit line for the private-label portfolio is \$600. The non-U.S. portfolio accounts for 80% of all consumer risk activities and includes consumer mortgages, auto loans, personal loans and credit card financing in 43 countries. Western Europe, the U.K., Eastern Europe and Australia/New Zealand are the primary non-U.S. markets. Mortgages represent 43% of the total consumer portfolio. The average loan-to-value (LTV) at origination of the total global mortgage portfolio is approximately 74%. Western Europe, Australia and New Zealand, Ireland and the U.K. account for approximately 80% of the mortgage book. GE employees underwrite all mortgages and originate to hold all mortgages on book. We exited the U.S. mortgage business in 2007.

The U.K. mortgage business tightened underwriting criteria throughout 2008 and reduced volume by 54% in response to the weakening home price environment in the U.K. Since mid-2006, the first mortgage loans originated in the U.K. that were greater than 80% LTV are covered by private mortgage insurance for the mortgage balance in excess of 80%. Insured mortgages account for approximately 73% of the portfolio above 80% LTV at origination.

The Australia/New Zealand mortgages are generally prime credit, and 94% of the portfolio is covered by private mortgage insurance for the full amount of the mortgage, which is customary in this market.

The French mortgage portfolio is generally prime credit, and 29% is insured for mortgage loans greater than 80% LTV (for the mortgage balance in excess of 80%).

### **Segment Operations**

Our five segments are focused on the broad markets they serve: Energy Infrastructure, Technology Infrastructure, NBC Universal, Capital Finance and Consumer & Industrial. In addition to providing information on segments in their entirety, we have also provided supplemental information for certain businesses within the segments for greater clarity.

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

Segment profit always excludes the effects of principal pension plans, results reported as discontinued operations and accounting changes. Segment profit excludes or includes interest and other financial charges and income taxes according to how a particular segment's management is measured—excluded in determining segment profit, which we sometimes refer to as "operating profit," for Energy Infrastructure, Technology Infrastructure, NBC Universal and Consumer & Industrial; included in determining segment profit, which we sometimes refer to as "net earnings," for Capital Finance.

We have reclassified certain prior-period amounts to conform to the current period's presentation. For additional information about our segments, see Note 27.

## Summary of Operating Segments

(In millions)	General Electric Company and consolidated affiliates				
	2008	2007	2006	2005	2004
<b>REVENUES</b>					
Energy Infrastructure	\$ 38,571	\$ 30,698	\$ 25,221	\$ 21,921	\$ 19,841
Technology Infrastructure	46,316	42,801	37,687	33,873	30,142
NBC Universal	16,969	15,416	16,188	14,689	12,886
Capital Finance	67,008	66,301	56,378	49,071	43,750
Consumer & Industrial	11,737	12,663	13,202	13,040	12,408
Total segment revenues	180,601	167,879	148,676	132,594	119,027
Corporate items and eliminations	1,914	4,609	2,892	3,668	4,787
<b>CONSOLIDATED REVENUES</b>	<b>\$182,515</b>	<b>\$172,488</b>	<b>\$151,568</b>	<b>\$136,262</b>	<b>\$123,814</b>
<b>SEGMENT PROFIT</b>					
Energy Infrastructure	\$ 6,080	\$ 4,817	\$ 3,518	\$ 3,222	\$ 3,100
Technology Infrastructure	8,152	7,883	7,308	6,188	5,412
NBC Universal	3,131	3,107	2,919	3,092	2,558
Capital Finance	8,632	12,243	10,397	8,414	6,593
Consumer & Industrial	365	1,034	970	732	601
Total segment profit	26,360	29,084	25,112	21,648	18,264
Corporate items and eliminations	(2,691)	(1,840)	(1,548)	(372)	165
GE interest and other financial charges	(2,153)	(1,993)	(1,668)	(1,319)	(901)
GE provision for income taxes	(3,427)	(2,794)	(2,552)	(2,678)	(1,937)
Earnings from continuing operations	18,089	22,457	19,344	17,279	15,591
Earnings (loss) from discontinued operations, net of taxes	(679)	(249)	1,398	(559)	1,631
<b>CONSOLIDATED NET EARNINGS</b>	<b>\$ 17,410</b>	<b>\$ 22,208</b>	<b>\$ 20,742</b>	<b>\$ 16,720</b>	<b>\$ 17,222</b>

See accompanying notes to consolidated financial statements.

**ENERGY INFRASTRUCTURE**

(In millions)	2008	2007	2006
<b>REVENUES</b>	<b>\$38,571</b>	\$30,698	\$25,221
<b>SEGMENT PROFIT</b>	<b>\$ 6,080</b>	\$ 4,817	\$ 3,518

(In millions)	2008	2007	2006
<b>REVENUES</b>			
Energy	\$29,309	\$22,456	\$19,406
Oil & Gas	7,417	6,849	4,340
<b>SEGMENT PROFIT</b>			
Energy	\$ 4,880	\$ 3,835	\$ 2,918
Oil & Gas	1,127	860	548

Energy Infrastructure revenues rose 26%, or \$7.9 billion, in 2008 on higher volume (\$6.0 billion), higher prices (\$1.4 billion) and the effects of the weaker U.S. dollar (\$0.5 billion). The increase in volume reflected increased sales of thermal and wind equipment at Energy, and the effects of acquisitions and increased sales of services at Oil & Gas. The increase in price was primarily at Energy, while the effects of the weaker U.S. dollar were primarily at Energy and Oil & Gas.

Segment profit rose 26% to \$6.1 billion in 2008, compared with \$4.8 billion in 2007, as higher prices (\$1.4 billion), higher volume (\$1.0 billion) and the effects of the weaker U.S. dollar (\$0.1 billion) more than offset the effects of higher material and other costs (\$0.7 billion) and lower productivity (\$0.5 billion). Volume and material and other costs increased across all businesses of the segment. The effects of productivity were primarily at Energy.

Energy Infrastructure revenues rose 22%, or \$5.5 billion, in 2007 on higher volume (\$4.0 billion), higher prices (\$0.8 billion) and the effects of the weaker U.S. dollar (\$0.7 billion). The increase in volume reflected increased sales of thermal and wind equipment at Energy, and the effects of acquisitions and increased sales of equipment and services at Oil & Gas. The increase in price was primarily at Energy, while the effects of the weaker U.S. dollar were primarily at Oil & Gas and Energy.

Segment profit rose 37% to \$4.8 billion in 2007, compared with \$3.5 billion in 2006, as higher prices (\$0.8 billion), higher volume (\$0.7 billion) and productivity (\$0.1 billion) more than offset the effects of higher material and other costs (\$0.4 billion). The increase in volume primarily related to Energy and Oil & Gas.

Energy Infrastructure orders were \$43.2 billion in 2008, up from \$36.9 billion in 2007. The \$32.5 billion total backlog at year-end 2008 comprised unfilled product orders of \$23.0 billion (of which 75% was scheduled for delivery in 2009) and product services orders of \$9.5 billion scheduled for 2009 delivery. Comparable December 31, 2007, total backlog was \$29.3 billion, of which \$21.0 billion was for unfilled product orders and \$8.3 billion, for product services orders. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

**TECHNOLOGY INFRASTRUCTURE**

(In millions)	2008	2007	2006
<b>REVENUES</b>	<b>\$46,316</b>	\$42,801	\$37,687
<b>SEGMENT PROFIT</b>	<b>\$ 8,152</b>	\$ 7,883	\$ 7,308

(In millions)	2008	2007	2006
<b>REVENUES</b>			
Aviation	\$19,239	\$16,819	\$13,017
Enterprise Solutions	4,710	4,462	3,951
Healthcare	17,392	16,997	16,560
Transportation	5,016	4,523	4,159
<b>SEGMENT PROFIT</b>			
Aviation	\$ 3,684	\$ 3,222	\$ 2,802
Enterprise Solutions	691	697	620
Healthcare	2,851	3,056	3,142
Transportation	962	936	774

Technology Infrastructure revenues rose 8%, or \$3.5 billion, in 2008 on higher volume (\$3.0 billion), the effects of the weaker U.S. dollar (\$0.3 billion) and higher prices (\$0.2 billion). The increase in volume reflected the effects of acquisitions and increased sales of military and commercial engines and services at Aviation; increased sales in the international diagnostic imaging, clinical systems and life sciences businesses of Healthcare; increased equipment sales at Transportation; and increases at Sensing and Inspection Technologies and Digital Energy at Enterprise Solutions. The effects of the weaker U.S. dollar were primarily at Healthcare and Enterprise Solutions. Higher prices were primarily at Aviation and Transportation, partially offset by lower prices at Healthcare.

Segment profit rose 3% to \$8.2 billion in 2008, compared with \$7.9 billion in 2007, as the effects of productivity (\$0.5 billion), higher volume (\$0.4 billion) and higher prices (\$0.2 billion) more than offset the effects of higher material and other costs (\$0.9 billion). The effects of productivity were primarily at Healthcare and Aviation. Volume increases were primarily at Aviation and Transportation. The increase in material costs was primarily at Aviation and Transportation, partially offset by a decrease at Healthcare. Labor and other costs increased across all businesses of the segment.

Technology Infrastructure revenues rose 14%, or \$5.1 billion, in 2007 on higher volume (\$4.6 billion) and the effects of the weaker U.S. dollar (\$0.6 billion), partially offset by lower prices (\$0.1 billion). The increase in volume reflected the effects of acquisitions and increased sales of commercial engines and services at Aviation; increased sales in the international diagnostic imaging, clinical systems and life sciences businesses of Healthcare; primarily the effects of acquisitions at Enterprise Solutions; and increased sales of equipment and services at Transportation. The effects of the weaker U.S. dollar were primarily at Healthcare and Enterprise Solutions.

Segment profit rose 8% to \$7.9 billion in 2007, compared with \$7.3 billion in 2006, as higher volume (\$0.8 billion), productivity (\$0.4 billion) and higher sales of minority interests in engine programs (\$0.1 billion) more than offset the effects of higher material and other costs (\$0.7 billion) and lower prices (\$0.1 billion). The increase in volume primarily related to Aviation, Healthcare and Enterprise Solutions. The effects of productivity were primarily at Healthcare and Transportation. The increase in material costs was primarily at Aviation, partially offset by a decrease at Healthcare, and labor and other costs increased across all businesses of the segment.

Technology Infrastructure orders were \$47.2 billion in 2008, down from \$48.7 billion in 2007. The \$37.6 billion total backlog at year-end 2008 comprised unfilled product orders of \$28.4 billion (of which 48% was scheduled for delivery in 2009) and product services orders of \$9.2 billion scheduled for 2009 delivery. Comparable December 31, 2007, total backlog was \$35.5 billion, of which \$27.5 billion was for unfilled product orders and \$8.0 billion, for product services orders. See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

NBC UNIVERSAL revenues increased \$1.6 billion, or 10%, to \$17.0 billion in 2008, as revenues from the Olympics broadcasts (\$1.0 billion) and higher revenues in cable (\$0.6 billion) and film (\$0.4 billion) were partially offset by lower earnings and impairments related to associated companies and investment securities (\$0.3 billion) and lower revenues from our television business (\$0.1 billion). Segment profit of \$3.1 billion in 2008 was flat compared with 2007, as higher earnings from cable (\$0.3 billion) and proceeds from insurance claims (\$0.4 billion) were offset by lower earnings and impairments related to associated companies and investment securities (\$0.3 billion), losses from the Olympics broadcasts (\$0.2 billion), and lower earnings from our television business (\$0.1 billion) and film (\$0.1 billion).

NBC Universal revenues declined 5%, or \$0.8 billion, in 2007, primarily from the lack of current-year counterparts to the 2006 Olympics broadcasts (\$0.7 billion) and 2006 sale of television stations (\$0.2 billion), lower revenues in our broadcast network and television stations as a result of lower advertising sales (\$0.5 billion) and lower film revenues (\$0.1 billion), partially offset by higher revenues for cable (\$0.4 billion) and television production and distribution (\$0.3 billion). Segment profit rose 6%, or \$0.2 billion, in 2007 as improvements in cable (\$0.2 billion), television production and distribution (\$0.2 billion), film (\$0.1 billion) and the absence of Olympics broadcasts in 2007 (\$0.1 billion) were partially offset by the lack of a current-year counterpart to the 2006 sale of four television stations (\$0.2 billion) and lower earnings from our broadcast network and television stations (\$0.2 billion). See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

## CAPITAL FINANCE

(In millions)	2008	2007	2006
<b>REVENUES</b>	<b>\$67,008</b>	\$66,301	\$56,378
<b>SEGMENT PROFIT</b>	<b>\$ 8,632</b>	\$12,243	\$10,397

December 31 (In millions)	2008	2007
<b>TOTAL ASSETS</b>	<b>\$572,903</b>	\$583,965

(In millions)	2008	2007	2006
<b>REVENUES</b>			
Commercial Lending and Leasing (CLL)	\$26,742	\$27,267	\$25,833
GE Money	25,012	24,769	19,508
Real Estate	6,646	7,021	5,020
Energy Financial Services	3,707	2,405	1,664
GE Commercial Aviation Services (GECAS)	4,901	4,839	4,353
<b>SEGMENT PROFIT</b>			
CLL	\$ 1,805	\$ 3,801	\$ 3,503
GE Money	3,664	4,269	3,231
Real Estate	1,144	2,285	1,841
Energy Financial Services	825	677	648
GECAS	1,194	1,211	1,174

December 31 (In millions)	2008	2007
<b>TOTAL ASSETS</b>		
CLL	\$232,486	\$229,608
GE Money	183,617	209,178
Real Estate	85,266	79,285
Energy Financial Services	22,079	18,705
GECAS	49,455	47,189

Capital Finance 2008 revenues increased by 1%, and net earnings decreased 29%, compared with 2007. Revenues in 2008 and 2007 included \$4.4 billion and \$0.5 billion from acquisitions, respectively, and in 2008 were benefited by \$0.1 billion as a result of dispositions. Revenues in 2008 also decreased \$3.3 billion as a result of organic revenue declines (\$4.5 billion), partially offset by the weaker U.S. dollar (\$1.2 billion). Net earnings decreased by \$3.6 billion in 2008, resulting from core declines (\$3.5 billion), including an increase of \$1.9 billion in the provision for losses on financing receivables, lower investment income (\$0.6 billion) and lower securitization income (\$0.4 billion), offset by acquisitions (\$0.5 billion), the weaker U.S. dollar (\$0.3 billion) and dispositions (\$0.1 billion). Net earnings included mark-to-market losses and impairments (\$1.4 billion), partially offset by increased tax benefits from lower-taxed earnings from global operations (\$0.7 billion) and Genpact mark-to-market gains (\$0.2 billion).

Capital Finance 2007 revenues and net earnings both increased 18%, compared with 2006. Revenues in 2007 included \$3.5 billion from acquisitions and were reduced by \$2.7 billion as a result of dispositions. Revenues in 2007 also increased \$9.1 billion as a result of organic revenue growth (\$6.8 billion) and the weaker U.S. dollar (\$2.3 billion). The increase in net earnings resulted primarily from core growth (\$1.0 billion), higher securitization income (\$0.4 billion) and the weaker U.S. dollar (\$0.3 billion). Core growth included \$0.5 billion representing the total year's tax benefit on the disposition of our investment in SES, growth in lower-taxed earnings from global operations (\$0.4 billion) and the sale of part of our Garanti investment (\$0.2 billion), partially offset by declines in fair value of retained interests in securitizations (\$0.2 billion). See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

Additional information about certain Capital Finance businesses follows.

CLL 2008 revenues decreased 2% and net earnings decreased 53% compared with 2007. Revenues in 2008 and 2007 included \$1.8 billion and \$0.2 billion, respectively, from acquisitions, and in 2008 were reduced by \$0.3 billion as a result of dispositions. Revenues in 2008 decreased \$1.9 billion compared with 2007 as a result of organic revenue declines (\$2.3 billion), partially offset by the weaker U.S. dollar (\$0.5 billion). Net earnings decreased by \$2.0 billion in 2008, resulting from core declines (\$2.2 billion), including an increase of \$0.5 billion in the provision for losses on financing receivables and lower investment income (\$0.3 billion), partially offset by acquisitions (\$0.4 billion) and the effect of the weaker U.S. dollar (\$0.1 billion). Net earnings included mark-to-market losses and impairments (\$0.8 billion), the absence of the effects of the 2007 tax benefit on the disposition of our investment in SES (\$0.5 billion) and SES gains (\$0.1 billion), partially offset by Genpact mark-to-market gains (\$0.2 billion).

CLL 2007 revenues and net earnings increased 6% and 9%, respectively, compared with 2006. Revenues in 2007 and 2006 included \$2.1 billion and \$0.1 billion, respectively, from acquisitions, and in 2007 were reduced by \$2.7 billion as a result of dispositions. Revenues in 2007 also increased \$1.9 billion as a result of organic revenue growth (\$1.2 billion) and the weaker U.S. dollar (\$0.7 billion). The increase in net earnings resulted from acquisitions (\$0.2 billion), core growth (\$0.1 billion) and the weaker U.S. dollar (\$0.1 billion), partially offset by dispositions (\$0.1 billion). Core growth included \$0.5 billion representing the total year's tax benefit on the disposition of our investment in SES, partially offset by \$0.2 billion of higher credit losses and \$0.1 billion in charges related to mark-to-market adjustments to loans held-for-sale. Investment income included higher SES gains (\$0.1 billion), offset by impairments of securitization retained interests (\$0.1 billion).

GE Money 2008 revenues increased 1% and net earnings decreased 14% compared with 2007. Revenues for 2008 included \$0.7 billion from acquisitions and \$0.4 billion from the gain on sale of our Corporate Payment Services (CPS) business and were reduced by \$0.2 billion from dispositions. Revenues in 2008 also decreased \$0.6 billion compared with 2007 as a result of organic revenue declines (\$1.2 billion), partially offset by the weaker U.S.

dollar (\$0.6 billion). The decrease in net earnings resulted primarily from core declines (\$0.5 billion) and lower securitization income (\$0.5 billion). The decreases were partially offset by the gain on the sale of our CPS business (\$0.2 billion), the weaker U.S. dollar (\$0.1 billion) and acquisitions (\$0.1 billion). Core declines primarily resulted from lower results in the U.S., reflecting the effects of higher delinquencies (\$1.2 billion), partially offset by growth in lower-taxed earnings from global operations (\$1.0 billion), including the decision to indefinitely reinvest, outside the U.S., prior-year earnings.

GE Money 2007 revenues and net earnings increased 27% and 32%, respectively, compared with 2006. Revenues in 2007 included \$0.4 billion from acquisitions. Revenues in 2007 also increased \$4.8 billion as a result of organic revenue growth (\$3.5 billion) and the weaker U.S. dollar (\$1.4 billion). The increase in net earnings resulted primarily from core growth (\$0.3 billion), higher securitization income (\$0.4 billion), the sale of part of our Garanti investment (\$0.2 billion) and the weaker U.S. dollar (\$0.2 billion). Core growth included growth in lower-taxed earnings from global operations (\$0.3 billion), partially offset by lower results in the U.S., reflecting the effects of higher delinquencies (\$0.4 billion).

Real Estate 2008 revenues decreased 5% and net earnings decreased 50% compared with 2007. Revenues for 2008 included \$0.3 billion from acquisitions. Revenues in 2008 also decreased \$0.7 billion compared with 2007 as a result of organic revenue declines (\$0.8 billion), partially offset by the weaker U.S. dollar (\$0.2 billion). Real Estate net earnings decreased \$1.1 billion compared with 2007, primarily from a decline in net earnings from real estate equity investments (\$1.2 billion), partially offset by an increase in net earnings from real estate lending. Net earnings from the sale of real estate equity investments in 2008 were lower as a result of increasingly difficult market conditions. In the normal course of our business operations, we sell certain real estate equity investments when it is economically advantageous for us to do so. However, as a result of deterioration in current and expected real estate market liquidity and macro-economic trends, it is difficult to predict with certainty the level of future sales or sales prices.

Real Estate assets at December 31, 2008, increased \$6.0 billion, or 8%, from December 31, 2007, including \$12.1 billion, or 34%, attributable to an increase in real estate lending, partially offset by a \$6.4 billion, or 16%, decline in real estate equity investments. During 2008, we sold real estate equity investment assets with a book value totaling \$5.8 billion, which resulted in net earnings of \$1.3 billion that were partially offset by losses, impairments and depreciation.

Real Estate 2007 revenues and net earnings increased 40% and 24%, respectively, compared with 2006. Revenues in 2007 included \$0.3 billion from acquisitions. Revenues in 2007 also increased \$1.8 billion as a result of organic revenue growth (\$1.5 billion) and the weaker U.S. dollar (\$0.2 billion). Real Estate net earnings increased 24% compared with 2006, primarily as a result of a \$0.5 billion increase in net earnings from sales of real estate investments.

Real Estate assets at December 31, 2007, increased \$25.5 billion, or 47%, from December 31, 2006, of which \$12.6 billion was real estate investments, also up 47%. During 2007, we sold real estate assets with a book value totaling \$7.0 billion, which resulted in net earnings of \$2.1 billion.

Energy Financial Services 2008 revenues and net earnings increased 54% and 22%, respectively, compared with 2007. Revenues in 2008 and 2007 included \$1.6 billion and \$0.3 billion, respectively, from acquisitions. The increase in net earnings resulted primarily from core growth (\$0.2 billion), partially offset by lower investment income (\$0.1 billion).

Energy Financial Services 2007 revenues and net earnings increased 45% and 4%, respectively, compared with 2006. The increase in revenues resulted primarily from acquisitions (\$0.6 billion) and organic revenue growth (\$0.1 billion). The increase in net earnings resulted primarily from core growth.

GECAS 2008 revenues increased 1% and net earnings decreased 1% compared with 2007. The increase in revenues is primarily a result of organic revenue growth (\$0.1 billion), partially offset by lower investment income. The decrease in net earnings resulted primarily from lower investment income, partially offset by core growth.

GECAS 2007 revenues and net earnings increased 11% and 3%, respectively, compared with 2006. The increase in revenues resulted primarily from organic revenue growth (\$0.4 billion) and acquisitions (\$0.1 billion). The increase in net earnings resulted primarily from core growth.

**CONSUMER & INDUSTRIAL** revenues decreased 7%, or \$0.9 billion, to \$11.7 billion in 2008 compared with 2007 as lower volume (\$1.2 billion) was partially offset by higher prices (\$0.2 billion) and the effects of the weaker U.S. dollar (\$0.1 billion). The decrease in volume reflected tightened spending in the U.S. market. Segment profit decreased 65%, or \$0.7 billion, to \$0.4 billion as higher material and other costs (\$0.4 billion), lower volume (\$0.2 billion), lower productivity (\$0.1 billion) and the effects of the weaker U.S. dollar on manufacturing costs (\$0.1 billion) were partially offset by higher prices (\$0.2 billion).

Consumer & Industrial revenues decreased 4%, or \$0.5 billion, in 2007 compared with 2006 as lower volume (\$0.8 billion) was partially offset by the effects of the weaker U.S. dollar (\$0.2 billion) and higher prices (\$0.1 billion). The decrease in volume reflects the sale of GE Supply in the third quarter of 2006. Segment profit rose 7%, or \$0.1 billion, as productivity (\$0.3 billion) and higher prices (\$0.1 billion) were partially offset by higher material and other costs (\$0.4 billion). See Corporate Items and Eliminations for a discussion of items not allocated to this segment.

## CORPORATE ITEMS AND ELIMINATIONS

(In millions)	2008	2007	2006
<b>REVENUES</b>			
Insurance activities	\$ 3,335	\$ 3,962	\$ 3,692
Eliminations and other	(1,421)	647	(800)
<b>Total</b>	<b>\$ 1,914</b>	<b>\$ 4,609</b>	<b>\$ 2,892</b>
<b>OPERATING PROFIT (COST)</b>			
Insurance activities	\$ (202)	\$ 145	\$ 57
Principal pension plans	(244)	(755)	(877)
Underabsorbed corporate overhead	(341)	(437)	(266)
Other	(1,904)	(793)	(462)
<b>Total</b>	<b>\$(2,691)</b>	<b>\$(1,840)</b>	<b>\$(1,548)</b>

Corporate Items and Eliminations include the effects of eliminating transactions between operating segments; results of our insurance activities remaining in continuing operations; certain items in our treasury operations; cost of, and cost reductions from, our principal pension plans; underabsorbed corporate overhead; certain non-allocated amounts described below; and a variety of sundry items. Corporate Items and Eliminations is not an operating segment. Rather, it is added to operating segment totals to reconcile to consolidated totals on the financial statements.

Certain amounts included in the line "Other" above are not allocated to segment results for internal measurement purposes. In 2008, amounts primarily related to restructuring, rationalization and other charges were \$0.5 billion at each of Capital Finance and NBC Universal, \$0.4 billion at Technology Infrastructure and \$0.3 billion at each of Energy Infrastructure and Consumer & Industrial. Included in these amounts in 2008 were technology and product development costs of \$0.2 billion at NBC Universal and \$0.1 billion at Technology Infrastructure and net losses on business exits of \$0.2 billion at Capital Finance. In 2007, amounts primarily related to restructuring, rationalization and other charges were \$0.5 billion at Technology Infrastructure, \$0.4 billion at each of Consumer & Industrial (including \$0.1 billion of product quality issues) and Capital Finance, \$0.3 billion at NBC Universal, and \$0.2 billion at Energy Infrastructure. Included in these amounts in 2007 were technology and product development costs of \$0.1 billion at NBC Universal. GECS amounts are on an after-tax basis.

Corporate Items and Eliminations include the elimination of transactions between our segments. In 2007, revenues, eliminations and other included a \$0.9 billion gain on sale of a business interest to Hitachi by the Energy business and a \$0.6 billion gain on sale of Swiss Re common stock.

Other operating profit (cost) reflects a \$0.9 billion gain on sale of a business interest to Hitachi by the Energy business and a \$0.3 billion (after-tax basis) gain on sale of Swiss Re common stock in 2007 and gains from sales of business interests of \$0.4 billion in 2006, principally GE Supply.

**DISCONTINUED OPERATIONS**

(In millions)	2008	2007	2006
Earnings (loss) from discontinued operations, net of taxes	<b>\$(679)</b>	<b>\$(249)</b>	<b>\$1,398</b>

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

During the third quarter of 2007, we committed to a plan to sell our Lake business and recorded an after-tax loss of \$0.9 billion, which represents the difference between the net book value of our Lake business and the projected sale price. During 2008, we completed the sale of GE Money Japan, which included Lake, along with our Japanese mortgage and card businesses, excluding our minority ownership interest in GE Nissen Credit Co., Ltd. In connection with this sale, and primarily related to our Japanese mortgage and card businesses, we recorded an incremental \$0.4 billion loss in 2008.

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

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

Loss from discontinued operations, net of taxes, in 2008 was \$0.7 billion, primarily reflecting a loss from operations (\$0.3 billion), and the estimated incremental loss on disposal (\$0.4 billion) at GE Money Japan.

Loss from discontinued operations, net of taxes, in 2007 was \$0.2 billion, reflecting a loss from operations at WMC (\$0.9 billion), an estimated after-tax loss on the planned sale of Lake (\$0.9 billion), a loss from operations at GE Money Japan (\$0.3 billion), and an after-tax loss on the sale of our WMC business (\$0.1 billion), partially offset by a tax adjustment related to the 2004 initial public offering of Genworth (\$0.1 billion). This was partially offset by an after-tax gain on sale of our Plastics business (\$1.6 billion) and earnings from Plastics operations (\$0.3 billion).

Earnings from discontinued operations, net of taxes, in 2006 were \$1.4 billion, reflecting earnings at our Plastics and Advanced Materials businesses (\$1.0 billion). Also included in these earnings were earnings at GE Money Japan and WMC (\$0.3 billion), Genworth (\$0.2 billion) and GE Insurance Solutions (\$0.1 billion), partially offset by a loss at GE Life (\$0.2 billion).

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

**Geographic Operations**

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

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

**GEOGRAPHIC REVENUES**

(In billions)	2008	2007	2006
U.S.	<b>\$ 85.3</b>	\$ 86.2	\$ 81.1
Europe	<b>44.0</b>	39.9	32.6
Pacific Basin	<b>23.6</b>	21.8	17.7
Americas	<b>14.8</b>	12.6	11.5
Middle East and Africa	<b>10.1</b>	8.0	5.5
Other Global	<b>4.7</b>	4.0	3.2
<b>Total</b>	<b>\$182.5</b>	\$172.5	\$151.6

Global revenues rose 13% to \$97.2 billion in 2008, compared with \$86.3 billion and \$70.5 billion in 2007 and 2006, respectively.

Global revenues to external customers as a percentage of consolidated revenues were 53% in 2008, compared with 50% and 47% in 2007 and 2006, respectively. The effects of currency fluctuations on reported results were to increase revenues by \$2.0 billion, \$4.0 billion and \$0.1 billion in 2008, 2007 and 2006, respectively.

GE global revenues in 2008 were \$59.4 billion, up 19% over 2007, led by increases at Energy Infrastructure and Technology Infrastructure, primarily in the Middle East and Africa, Europe and the Pacific Basin. GE global revenues as a percentage of total GE revenues was 53% in 2008, compared with 50% and 48% in 2007 and 2006, respectively. GE global revenues were \$49.8 billion in 2007, up 16% over 2006, led by increases at Energy Infrastructure and Technology Infrastructure, primarily in the Middle East and Africa, Europe and the Pacific Basin.

GECS global revenues rose 4% to \$37.8 billion in 2008, compared with \$36.5 billion and \$27.5 billion in 2007 and 2006, respectively. GECS global revenues as a percentage of total GECS revenues were 53% in 2008, compared with 51% and 45% in 2007 and 2006, respectively. The effects of currency fluctuations on reported results were to increase revenues by \$1.2 billion and \$2.3 billion in 2008 and 2007, respectively, compared with a decrease of \$0.1 billion in 2006.

GECS revenues in the Middle East and Africa grew 25% in 2008, primarily as a result of organic revenue growth at GECAS. Revenues grew 11% in the Americas and 6% in Europe in 2008, primarily as a result of organic revenue growth, acquisitions and the effects of the weaker U.S. dollar, primarily at GE Money and CLL. Revenues in the Pacific Basin remained flat in 2008 from 2007.

#### TOTAL ASSETS (CONTINUING OPERATIONS)

December 31 (In billions)	2008	2007
U.S.	\$395.6	\$364.5
Europe	228.0	236.5
Pacific Basin	75.0	87.8
Americas	40.9	42.6
Other Global	56.5	55.4
Total	\$796.0	\$786.8

Total assets of global operations on a continuing basis were \$400.4 billion in 2008, a decrease of \$21.9 billion, or 5%, from 2007. GECS global assets on a continuing basis of \$328.4 billion at the end of 2008 were 10% lower than at the end of 2007, reflecting core declines and the effects of the stronger U.S. dollar in Europe, the Pacific Basin and the Americas, partially offset by acquisitions, primarily at GE Money and CLL.

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

#### Environmental Matters

Our operations, like operations of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws. We are involved in a sizable number of remediation actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site. Expenditures for site remediation actions amounted to approximately \$0.3 billion in 2008 and \$0.2 billion in 2007. We presently expect that such remediation actions will require average annual expenditures in the range of \$0.3 billion to \$0.4 billion over the next two years.

In November 2006, the United States Federal District Court approved a consent decree, which had been agreed to by GE and the United States Environmental Protection Agency (EPA), that represents a comprehensive framework for implementation of the EPA's 2002 decision to dredge polychlorinated biphenyl (PCB)-containing sediments in the upper Hudson River. The dredging will be performed in two phases with an intervening peer review of performance after the first phase. Under the consent decree, we have committed to reimburse the EPA for its past and future project oversight costs and to perform the first phase of dredging, which is scheduled to proceed from May through November of 2009. After completion of the peer review, currently scheduled for 2010, we may be responsible for further costs. Our Statement of Financial Position as of December 31, 2008 and 2007, included liabilities for the probable and estimable costs of the agreed upon remediation activities.

#### Financial Resources and Liquidity

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

The fundamental differences between GE and GECS are reflected in the measurements commonly used by investors, rating agencies and financial analysts.

#### Overview of Financial Position

Major changes to our shareowners' equity are discussed in the Consolidated Statement of Changes in Shareowners' Equity section. In addition, other significant changes to balances in our Statement of Financial Position follow.

#### Statement of Financial Position

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

**INVESTMENT SECURITIES** comprise mainly investment-grade debt securities supporting obligations to annuitants and policyholders in our run-off insurance operations and holders of guaranteed investment contracts (GICs). Investment securities amounted to \$41.4 billion at December 31, 2008, compared with \$45.3 billion at December 31, 2007. Of the amount at December 31, 2008, we held debt securities with an estimated fair value of \$33.9 billion, which included residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) with estimated fair values of \$4.3 billion and \$2.1 billion, respectively. Unrealized losses on debt securities were \$5.4 billion and \$1.1 billion at

December 31, 2008, and December 31, 2007, respectively. This amount included unrealized losses on RMBS and CMBS of \$1.1 billion and \$0.8 billion at the end of 2008, as compared with \$0.2 billion and an insignificant amount, respectively, at the end of 2007. Unrealized losses increased as a result of continuing market deterioration, and we believe primarily represent adjustments for liquidity on investment-grade securities.

Of the \$4.3 billion of RMBS, our exposure to subprime credit was approximately \$1.3 billion, and those securities are primarily held to support obligations to holders of GICs. A majority of these securities have received investment-grade credit ratings from the major rating agencies. We purchased no such securities in 2008 and an insignificant amount of such securities in 2007. These investment securities are collateralized primarily by pools of individual direct-mortgage loans, and do not include structured products such as collateralized debt obligations. Additionally, a majority of our exposure to residential subprime credit related to investment securities backed by mortgage loans originated in 2006 and 2005.

We regularly review investment securities for impairment using both quantitative and qualitative criteria. Quantitative criteria include the length of time and magnitude of the amount that each security is in an unrealized loss position and, for securities with fixed maturities, whether the issuer is in compliance with terms and covenants of the security. Qualitative criteria include the financial health of and specific prospects for the issuer, as well as our intent and ability to hold the security to maturity or until forecasted recovery. In addition, our evaluation at December 31, 2008, considered the continuing market deterioration that resulted in the lack of liquidity and the historic levels of price volatility and credit spreads. With respect to corporate bonds, we placed greater emphasis on the credit quality of the issuers. With respect to RMBS and CMBS, we placed greater emphasis on our expectations with respect to cash flows from the underlying collateral and, with respect to RMBS, we considered the availability of credit enhancements, principally monoline insurance. Our other-than-temporary impairment reviews involve our finance, risk and asset management functions as well as the portfolio management and research capabilities of our internal and third-party asset managers.

When an other-than-temporary impairment is recognized for a debt security, the charge has two components: (1) the loss of contractual cash flows due to the inability of the issuer (or the insurer, if applicable) to pay all amounts due; and (2) the effects of current market conditions, exclusive of credit losses, on the fair value of the security (principally liquidity discounts and interest rate effects). If the expected loss due to credit remains unchanged for the remaining term of the debt instrument, the latter portion of the impairment charge is subsequently accreted to earnings as interest income over the remaining term of the instrument. When a security is insured, a credit loss event is deemed to have occurred if the insurer is expected to be unable to cover its obligations under the related insurance contract.

Other-than-temporary impairment losses totaled \$1.6 billion in 2008 and \$0.1 billion in 2007. In 2008, we recognized other-than-temporary impairments, primarily relating to retained interests in our securitization arrangements, RMBS and corporate debt securities of infrastructure, financial institutions and media companies. In 2007, we recognized other-than-temporary impairments, primarily for our retained interests in our securitization arrangements. Investments in retained interests in securitization arrangements also decreased by \$0.1 billion during 2008, reflecting declines in fair value accounted for in accordance with a new accounting standard that became effective at the beginning of 2007.

Monoline insurers (Monolines) provide credit enhancement for certain of our investment securities. At December 31, 2008, our investment securities insured by Monolines totaled \$3.1 billion, including \$1.1 billion of our \$1.3 billion investment in subprime RMBS. Although several of the Monolines have been downgraded by the rating agencies, a majority of the \$3.1 billion is insured by investment-grade Monolines. The Monoline industry continues to experience financial stress from increasing delinquencies and defaults on the individual loans underlying insured securities. We regularly monitor changes to the expected cash flows of the securities we hold, and the ability of these insurers to pay claims on securities with expected losses. At December 31, 2008, if the Monolines were unable to pay our anticipated claims based on the expected future cash flows of the securities, we would have recorded an impairment charge of \$0.3 billion, of which \$0.1 billion would relate to expected credit losses and the remaining \$0.2 billion would relate to other market factors.

Our qualitative review attempts to identify issuers' securities that are "at-risk" of impairment, that is, with a possibility of other-than-temporary impairment recognition in the following 12 months. Of securities with unrealized losses at December 31, 2008, \$0.7 billion of unrealized loss was at risk of being charged to earnings assuming no further changes in price, and that amount primarily related to investments in RMBS and CMBS securities, equity securities, securitization retained interests, and corporate debt securities of financial institutions and media companies. In addition, we had approximately \$2.9 billion of exposure to commercial, regional and foreign banks, primarily relating to corporate debt securities, with associated unrealized losses of \$0.4 billion. Continued uncertainty in the capital markets may cause increased levels of other-than-temporary impairments.

At December 31, 2008, unrealized losses on investment securities totaled \$5.7 billion, including \$3.5 billion aged 12 months or longer, compared with unrealized losses of \$1.3 billion, including \$0.5 billion aged 12 months or longer at December 31, 2007. Of the amount aged 12 months or longer at December 31, 2008, more than 80% of our debt securities were considered to be investment-grade by the major rating agencies. In addition, of the amount aged 12 months or longer, \$1.9 billion and \$1.4 billion related to structured securities (mortgage-backed, asset-backed and securitization retained interests) and corporate debt securities, respectively. With respect to our investment securities that are

in an unrealized loss position at December 31, 2008, we intend to hold them at least until such time as their individual fair values exceed their amortized cost and we have the ability to hold all such debt securities until their maturities. The fair values used to determine these unrealized gains and losses are those defined by relevant accounting standards and are not a forecast of future gains or losses. For additional information, see Note 9.

**FAIR VALUE MEASUREMENTS.** Effective January 1, 2008, we adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) 157, *Fair Value Measurements*, for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. Adoption of SFAS 157 did not have a material effect on our financial position or results of operations. During the fourth quarter, our methodology remained consistent with prior quarters for measuring fair value of financial instruments trading in volatile markets. Additional information about our application of SFAS 157 is provided in Note 28.

**WORKING CAPITAL**, representing GE current receivables and inventories, less GE accounts payable and progress collections, was \$3.9 billion at December 31, 2008, down \$2.5 billion from December 31, 2007, reflecting higher progress collections at Energy. As Energy delivers units out of its backlog over the next few years, progress collections of \$13.1 billion at December 31, 2008, will be earned, affecting working capital adversely. Nonetheless, our performance is expected to improve in 2009 as a result of our Operating Council's initiatives (e.g., lean projects on cycle time), which will significantly offset the decrease in progress collections.

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

**CURRENT RECEIVABLES** for GE amounted to \$15.1 billion at both the end of 2008 and 2007, and included \$11.3 billion due from customers at the end of 2008 compared with \$11.0 billion at the end of 2007. GE current receivables turnover was 7.5 in 2008, compared with 7.3 in 2007. See Note 10.

**INVENTORIES** for GE amounted to \$13.6 billion at December 31, 2008, up \$0.8 billion from the end of 2007. This increase reflected higher inventories from purchases at Energy Infrastructure. GE inventory turnover was 8.0 and 8.3 in 2008 and 2007, respectively. See Note 11.

**FINANCING RECEIVABLES** is our largest category of assets and represents one of our primary sources of revenues. A discussion of the quality of certain elements of the financing receivables portfolio follows. For purposes of that discussion, "delinquent" receivables are those that are 30 days or more past due; and "nonearning" receivables are those that are 90 days or more past due (or for which collection has otherwise become doubtful).

Our portfolio of financing receivables is diverse and not directly comparable to major U.S. banks. Historically, we have had less consumer exposure, which over time has had higher loss rates than commercial exposure. Our consumer exposure is largely non-U.S. and primarily comprises mortgage, sales finance, auto and personal loans in various European and Asian countries. Our U.S. consumer financing receivables comprise 7% of our total portfolio. Of those, approximately 42% relate primarily to credit cards, which are often subject to profit and loss sharing arrangements with the retailer (the results of which are reflected in GECS revenues), and have a smaller average balance and lower loss severity as compared to bank cards. The remaining 58% are sales finance receivables, which provide electronics, recreation, medical and home improvement financing to customers. In 2007, we exited the U.S. mortgage business and we have no U.S. auto or student loans.

Our commercial portfolio primarily comprises senior, secured positions with comparatively low loss history. The secured receivables in this portfolio are collateralized by a variety of asset classes, including industrial-related facilities and equipment; commercial and residential real estate; vehicles, aircraft, and equipment used in many industries, including the construction, manufacturing, transportation, telecommunications and health-care industries. In addition, 2% of this portfolio is unsecured corporate debt.

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

December 31 (In millions)	Financing receivables		Nonearning receivables		Allowance for losses	
	2008	2007	2008	2007	2008	2007
<b>CLL</b>						
Equipment and leasing and other	\$ 99,769	\$ 96,817	\$1,526	\$ 939	\$ 894	\$ 661
Commercial and industrial	64,332	58,863	1,128	757	415	276
<b>GE MONEY</b>						
Non-U.S. residential mortgages	59,595	73,042	3,317	2,465	382	246
Non-U.S. installment and revolving credit	24,441	34,669	413	533	1,051	1,371
U.S. installment and revolving credit	27,645	27,914	758	515	1,700	985
Non-U.S. auto	18,168	27,368	83	75	222	324
Other	9,244	10,198	152	91	214	162
<b>REAL ESTATE (a)</b>	<b>46,735</b>	<b>32,228</b>	<b>194</b>	<b>25</b>	<b>301</b>	<b>168</b>
<b>ENERGY FINANCIAL SERVICES</b>	<b>8,392</b>	<b>7,898</b>	<b>241</b>	<b>—</b>	<b>58</b>	<b>19</b>
<b>GECAS</b>	<b>15,429</b>	<b>14,197</b>	<b>146</b>	<b>—</b>	<b>60</b>	<b>8</b>
<b>OTHER</b>	<b>4,031</b>	<b>5,111</b>	<b>38</b>	<b>71</b>	<b>28</b>	<b>18</b>
<b>TOTAL</b>	<b>\$377,781</b>	<b>\$388,305</b>	<b>\$7,996</b>	<b>\$5,471</b>	<b>\$5,325</b>	<b>\$4,238</b>

(a) Financing receivables included \$731 million and \$452 million of construction loans at December 31, 2008 and 2007, respectively.

December 31	Nonearning receivables as a percent of financing receivables		Allowance for losses as a percent of nonearning receivables		Allowance for losses as a percent of total financing receivables	
	2008	2007	2008	2007	2008	2007
<b>CLL</b>						
Equipment and leasing and other	1.5%	1.0%	58.6%	70.4%	0.9%	0.7%
Commercial and industrial	1.8	1.3	36.8	36.5	0.6	0.5
<b>GE MONEY</b>						
Non-U.S. residential mortgages	5.6	3.4	11.5	10.0	0.6	0.3
Non-U.S. installment and revolving credit	1.7	1.5	254.5	257.2	4.3	4.0
U.S. installment and revolving credit	2.7	1.8	224.3	191.3	6.1	3.5
Non-U.S. auto	0.5	0.3	267.5	432.0	1.2	1.2
Other	1.6	0.9	140.8	178.0	2.3	1.6
<b>REAL ESTATE</b>	<b>0.4</b>	<b>0.1</b>	<b>155.2</b>	<b>672.0</b>	<b>0.6</b>	<b>0.5</b>
<b>ENERGY FINANCIAL SERVICES</b>	<b>2.9</b>	<b>—</b>	<b>24.1</b>	<b>—</b>	<b>0.7</b>	<b>0.2</b>
<b>GECAS</b>	<b>0.9</b>	<b>—</b>	<b>41.1</b>	<b>—</b>	<b>0.4</b>	<b>0.1</b>
<b>OTHER</b>	<b>0.9</b>	<b>1.4</b>	<b>73.7</b>	<b>25.4</b>	<b>0.7</b>	<b>0.4</b>
<b>TOTAL</b>	<b>2.1%</b>	<b>1.4%</b>	<b>66.6%</b>	<b>77.5%</b>	<b>1.4%</b>	<b>1.1%</b>

The majority of the allowance for losses of \$5.3 billion at December 31, 2008, and \$4.2 billion at December 31, 2007, is determined based upon a formulaic approach. Further information on the determination of the allowance for losses on financing receivables is provided in the Critical Accounting Estimates section and Notes 1 and 13.

A portion of the allowance for losses is related to specific reserves on loans that have been determined to be individually impaired under SFAS 114, *Accounting by Creditors for Impairment of a Loan*. Under SFAS 114, individually impaired loans are defined 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. These specific reserves amounted to \$0.6 billion and \$0.4 billion at December 31, 2008 and December 31, 2007, respectively. Further information pertaining to specific reserves is included in the table below.

December 31 (In millions)	2008	2007
Loans requiring allowance for losses	\$2,712	\$ 986
Loans expected to be fully recoverable	871	391
Total impaired loans	\$3,583	\$1,377
Allowance for losses	\$ 635	\$ 361
Average investment during year	2,064	1,576
Interest income earned while impaired <sup>(a)</sup>	27	19

(a) Recognized principally on cash basis.

The portfolio of financing receivables, before allowance for losses, was \$377.8 billion at December 31, 2008, and \$388.3 billion at December 31, 2007. Financing receivables, before allowance for losses, decreased \$10.5 billion from December 31, 2007, primarily as a result of commercial and equipment securitization and sales (\$36.7 billion), the stronger U.S. dollar (\$29.4 billion) and dispositions (\$7.0 billion), partially offset by core growth (\$42.9 billion) and acquisitions (\$31.9 billion).

Related nonearning receivables totaled \$8.0 billion (2.1% of outstanding receivables) at December 31, 2008, compared with \$5.5 billion (1.4% of outstanding receivables) at December 31, 2007. Related nonearning receivables increased from December 31, 2007, primarily because of rising unemployment, along with the increasingly challenging global economic environment.

The allowance for losses at December 31, 2008, totaled \$5.3 billion compared with \$4.2 billion at December 31, 2007, representing our best estimate of probable losses inherent in the portfolio and reflecting the then current credit and economic environment. Allowance for losses increased \$1.1 billion from December 31, 2007, primarily because of increasing delinquencies and nonearning receivables reflecting the continued weakened economic and credit environment. Coincident with the changes in the environment, we saw a significant increase in delinquencies in the latter half of 2008, particularly in the fourth quarter. As the environment worsened in the latter half of the year, we recognized provisions accordingly.

**CLL—EQUIPMENT AND LEASING AND OTHER.** Nonearning receivables of \$1.5 billion represented 19.1% of total nonearning receivables at December 31, 2008. The ratio of allowance for losses as a percent of nonearning receivables declined from 70.4% at December 31, 2007, to 58.6% at December 31, 2008, primarily from an increase in secured exposures which did not require specific reserves based upon the strength of the underlying collateral values.

**CLL—COMMERCIAL AND INDUSTRIAL.** Nonearning receivables of \$1.1 billion represented 14.1% of total nonearning receivables at December 31, 2008. The ratio of allowance for losses as a percent of nonearning receivables increased from 36.5% at December 31, 2007, to 36.8% at December 31, 2008. The ratio of nonearning receivables as a percentage of financing receivables increased from 1.3% at December 31, 2007, to 1.8% at December 31, 2008, primarily from an increase in nonearning receivables in secured lending in media and communications, auto and transportation, and consumer manufacturing companies.

**GE MONEY—NON-U.S. RESIDENTIAL MORTGAGES.** Nonearning receivables of \$3.3 billion represented 41.5% of total nonearning receivables at December 31, 2008. The ratio of allowance for losses as a percent of nonearning receivables increased from 10.0% at December 31, 2007, to 11.5% at December 31, 2008. Our non-U.S. mortgage portfolio has a loan-to-value of approximately 74% at origination and the vast majority are first lien positions. In addition, we carry mortgage insurance on most first mortgage loans originated at a loan-to-value above 80%. In 2008, our nonearning receivables increased primarily as a result of the declining U.K. housing market and our allowance increased accordingly. At December 31, 2008, we had foreclosed on fewer than 1,000 houses in the U.K.

**GE MONEY—U.S. INSTALLMENT AND REVOLVING CREDIT.**

Nonearning receivables of \$0.8 billion represented 9.5% of total nonearning receivables at December 31, 2008. The ratio of allowance for losses as a percent of nonearning receivables increased from 191.3% at December 31, 2007, to 224.3% at December 31, 2008, reflecting the effects of the continued deterioration in our U.S. portfolio in connection with rising unemployment.

**GE MONEY—NON-U.S. AUTO.** Nonearning receivables of \$0.1 billion represented 1% of total nonearning receivables at December 31, 2008. The ratio of allowance for losses as a percent of nonearning receivables decreased from 432.0% at December 31, 2007, to 267.5% at December 31, 2008. This is primarily a result of the disposition of our Thailand auto business, the decision to dispose of our U.K. auto business, and the effects of recoveries.

Delinquency rates on managed equipment financing loans and leases and managed consumer financing receivables follow.

December 31	2008	2007	2006
Equipment financing	<b>2.17%</b>	1.21%	1.22%
Consumer	<b>7.47</b>	5.38	5.22
U.S.	<b>7.14</b>	5.52	4.93
Non-U.S.	<b>7.64</b>	5.32	5.34

Delinquency rates on equipment financing loans and leases increased from December 31, 2007, and December 31, 2006, to December 31, 2008, primarily as a result of the inclusion of the CitiCapital acquisition and Sanyo acquisition in Japan, which contributed an additional 12 and 9 basis points, respectively, at December 31, 2008, as well as deterioration in our U.S. commercial middle market and certain European portfolios. The current financial market turmoil and tight credit conditions may continue to lead to a higher level of commercial delinquencies and provisions for financing receivables and could adversely affect results of operations at CLL.

Delinquency rates on consumer financing receivables increased from December 31, 2007, and December 31, 2006, to December 31, 2008, primarily because of rising unemployment, an increasingly challenging economic environment and lower volume. This has resulted in continued deterioration in our U.S. and U.K. portfolios. In response, GE Money has continued to tighten underwriting standards globally, increased focus on collection effectiveness and will continue its process of regularly reviewing and adjusting reserve levels. We expect the global environment, along with U.S. unemployment levels, to continue to deteriorate in 2009, which may result in higher provisions for loan losses and could adversely affect results of operations at GE Money. At December 31, 2008, roughly 40% of our U.S.-managed portfolio, which consisted of credit cards, installment and revolving loans, was receivable from subprime borrowers. We had no U.S. subprime residential mortgage loans at December 31, 2008. See Notes 12 and 13.

**OTHER GECS RECEIVABLES** totaled \$18.6 billion at December 31, 2008, and \$22.1 billion at December 31, 2007, and consisted primarily of amounts due from GE (generally related to certain material procurement programs of \$3.0 billion at December 31, 2008 and \$2.9 billion at December 31, 2007), insurance receivables, amounts due from Qualified Special Purpose Entities (QSPEs), nonfinancing customer receivables, amounts accrued from investment income, amounts due under operating leases and various sundry items.

**PROPERTY, PLANT AND EQUIPMENT** totaled \$78.5 billion at December 31, 2008, up \$0.6 billion from 2007, primarily reflecting acquisitions and additions of commercial aircraft at the GECAS business of Capital Finance. GE property, plant and equipment consisted of investments for its own productive use, whereas the largest element for GECS was equipment provided to third parties on operating leases. Details by category of investment are presented in Note 14.

GE additions to property, plant and equipment totaled \$3.0 billion in both 2008 and 2007. Total expenditures, excluding equipment leased to others, for the past five years were \$14.5 billion, of which 33% was investment for growth through new capacity and product development; 31% was investment in productivity through new equipment and process improvements; and 36% was investment for other purposes such as improvement of research and development facilities and safety and environmental protection.

GECS additions to property, plant and equipment were \$13.3 billion and \$15.2 billion during 2008 and 2007, respectively, primarily reflecting acquisitions and additions of commercial aircraft at the GECAS business of Capital Finance.

**GOODWILL AND OTHER INTANGIBLE ASSETS** totaled \$81.8 billion and \$15.0 billion, respectively, at December 31, 2008. Goodwill increased \$0.6 billion from 2007, primarily from acquisitions—including Hydril Pressure Control by Energy Infrastructure, Merrill Lynch Capital by Capital Finance and Vital Signs at Technology Infrastructure, partially offset by the effects of the stronger U.S. dollar and dispositions. Other intangible assets decreased \$1.2 billion from 2007, primarily from amortization expense and the effects of the stronger U.S. dollar. See Note 15.

**ALL OTHER ASSETS** totaled \$106.9 billion at year-end 2008, a decrease of \$15.9 billion, reflecting decreases in prepaid pension assets, assets held for sale and real estate, partially offset by increases in derivative instruments and associated companies. We recognized other-than-temporary impairments of cost and equity method investments of \$0.5 billion and \$0.1 billion in 2008 and 2007, respectively, including \$0.2 billion relating to our cost method investment in FGIC Corporation during 2008. See Note 16.

**LIQUIDITY AND BORROWINGS**

We manage our liquidity to help ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout business cycles. We rely on cash generated through our operating activities as well as unsecured and secured funding sources, including commercial paper, term debt, bank deposits, bank borrowings, securitization and other retail funding products.

The global credit markets have recently experienced unprecedented volatility, which has affected both the availability and cost of our funding sources. In this current volatile credit environment, we have taken a number of initiatives to strengthen our liquidity, maintain our dividend, and maintain the highest credit ratings. Specifically, we have:

- Reduced the GECS dividend to GE from 40% to 10% of GECS earnings and suspended our stock repurchase program.
- Raised \$15 billion in cash through common and preferred stock offerings in October 2008 and contributed \$5.5 billion to GE Capital. In February 2009, the GE Board authorized a capital contribution of up to \$9.5 billion to GE Capital, which is expected to be made in the first quarter of 2009.
- Reduced our commercial paper borrowings at GECS to \$72 billion at December 31, 2008.
- Targeted to further reduce GECS commercial paper borrowings to \$50 billion by the end of 2009 and to target committed credit lines equal to GECS commercial paper borrowings going forward.
- Grown our alternative funding to \$54 billion at December 31, 2008, including \$36 billion of bank deposits.
- Registered to use the Federal Reserve's Commercial Paper Funding Facility (CPFF) for up to \$98 billion, which is available through October 31, 2009.
- Registered to use the Federal Deposit Insurance Corporation's (FDIC) Temporary Liquidity Guarantee Program (TLGP) for approximately \$126 billion.
- At GECS, we are managing collections versus originations to help support liquidity needs and are estimating \$25 billion of excess collections in 2009.

Throughout this period of volatility, we have been able to continue to meet our funding needs at acceptable costs. We continue to access the commercial paper markets without interruption.

During 2008, GECS and its affiliates issued \$84.3 billion of senior, unsecured long-term debt. This debt was both fixed and floating rate and was issued to institutional and retail investors in the U.S. and 17 other global markets. Maturities for these issuances ranged from one to 40 years.

During the fourth quarter of 2008, the FDIC adopted the TLGP to address disruptions in the credit market, particularly the inter-bank lending market, which reduced banks' liquidity and impaired their ability to lend. The goal of the TLGP is to decrease the cost of bank funding so that bank lending to consumers and businesses will normalize. The TLGP guarantees certain newly issued senior, unsecured debt of banks, thrifts, and certain holding companies. Under the FDIC's Final Rule adopted on November 21, 2008, certain senior, unsecured debt issued before June 30, 2009, with a maturity of greater than 30 days that matures on or prior to June 30, 2012, is automatically included in the program. GECC has elected to participate in this program. The fees associated with this program range from 50 to 100 basis points on an annualized basis and vary according to the maturity of the debt issuance. GECC also pays an additional 10 basis points, as it is not an insured depository institution. On February 10, 2009, in a Joint Statement, the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve, the Chairman of the FDIC, the Comptroller of the Currency and the Director of the Office of Thrift Supervision (OTS) announced that, for an additional premium, the FDIC will extend the Debt Guarantee Program of the TLGP through October 2009.

Included in GECS issuances above is \$13.4 billion of senior, unsecured long-term debt issued by GECC in the fourth quarter of 2008 under the TLGP with varying maturities up to June 30, 2012. Additionally, GECC had commercial paper of \$21.8 billion outstanding at December 31, 2008, which was issued under the TLGP (which is required for all commercial paper issuances with maturities greater than 30 days).

In the fourth quarter of 2008, GE Capital extended \$21.8 billion of credit to U.S. customers, including 5 million new accounts, and \$7.7 billion of credit (including unfunded commitments of \$2.5 billion) to U.S. companies, with an average transaction size of \$2.4 million.

During the fourth quarter of 2008, GECS issued commercial paper into the CPFF. The last tranche of this commercial paper matures in February 2009. Although we do not anticipate further utilization of the CPFF, it remains available until October 31, 2009. We incurred \$0.6 billion of fees for our participation in the TLGP and CPFF programs through December 31, 2008.

Our 2009 funding plan anticipates approximately \$45 billion of senior, unsecured long-term debt issuance. In January 2009, we completed issuances of \$11.0 billion funding under the TLGP. We also issued \$5.1 billion in non-guaranteed senior, unsecured debt with a maturity of 30 years under the non-guarantee option of the TLGP. These issuances, along with the \$13.4 billion of pre-funding done in December 2008, bring our aggregate issuances to \$29.5 billion or 66% of our anticipated 2009 funding plan. Additionally, we anticipate that we will be 90% complete with our 2009 funding plan by June 30, 2009.

We maintain securitization capability in most of the asset classes we have traditionally securitized. However, these capabilities have been, and continue to be, more limited than in 2007. We have continued to execute new securitizations utilizing bank commercial paper conduits. Securitization proceeds were \$17.8 billion and \$76.8 billion during the three months and the year ended December 31, 2008, respectively. Comparable amounts were \$23.4 billion and \$84.4 billion, for the three months and the year ended December 31, 2007, respectively.

We have successfully grown our alternative funding to \$54 billion at December 31, 2008, including \$36 billion of bank deposits. Deposits increased by \$24.8 billion since January 1, 2008. We have deposit-taking capability at nine banks outside of the U.S. and two banks in the U.S.—GE Money Bank Inc., a Federal Savings Bank (FSB), and GE Capital Financial Inc., an industrial bank (IB). The FSB and IB currently issue certificates of deposits (CDs) distributed by brokers in maturity terms from three months to ten years. Total outstanding CDs at these two banks at December 31, 2008, were \$24.5 billion. We expect deposits to continue to grow and constitute a greater percentage of our total funding in the future.

In the event we cannot sufficiently access our normal sources of funding, we have a number of alternative sources of liquidity available, including cash balances and collections, marketable securities and credit lines. In the event these sources are not sufficient to repay commercial paper and term debt as it becomes due or to meet our other liquidity needs, we can access the CPFF and the TLGP and/or seek other sources of funding.

Our cash and equivalents were \$48.2 billion at December 31, 2008. We anticipate that we will continue to generate cash from operating activities in the future, which is available to help meet our liquidity needs. We also generate substantial cash from the principal collections of loans and rentals from leased assets, which historically has been invested in asset growth. At GECS, we are managing collections versus originations to help support liquidity needs and are estimating \$25 billion of excess collections in 2009.

Committed, unused credit lines totaling \$60.0 billion had been extended to us by 65 financial institutions at December 31, 2008. These lines include \$37.4 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. Additionally, \$21.3 billion are 364-day lines that contain a term-out feature that allows us to extend borrowings for one year from the date of expiration of the lending agreement.

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

- It is our policy to minimize exposure to interest rate changes. We fund our financial investments using debt or a combination of debt and hedging instruments so that the interest rates of our borrowings match the expected yields on our assets. To test the effectiveness of our positions, we assumed that, on January 1, 2009, interest rates increased by 100 basis points across the yield curve (a "parallel shift" in that curve) and further assumed that the increase remained in place for 2009. We estimated, based on the year-end 2008 portfolio and holding everything else constant, that our 2009 consolidated net earnings would decline by \$0.1 billion.
- It is our policy to minimize currency exposures and to conduct operations either within functional currencies or using the protection of hedge strategies. We analyzed year-end 2008 consolidated currency exposures, including derivatives designated and effective as hedges, to identify assets and liabilities denominated in other than their relevant functional currencies. For such assets and liabilities, we then evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar. This analysis indicated that there would be an inconsequential effect on 2009 earnings of such a shift in exchange rates.

**Consolidated Statement of Changes in Shareowners' Equity**

Shareowners' equity decreased by \$10.9 billion in 2008, compared with increases of \$4.1 billion and \$2.9 billion in 2007 and 2006, respectively.

Over the three-year period, net earnings increased equity by \$17.4 billion, \$22.2 billion and \$20.7 billion, partially offset by dividends declared of \$12.6 billion, \$11.7 billion and \$10.7 billion in 2008, 2007 and 2006, respectively.

Elements of Other Comprehensive Income reduced shareowners' equity by \$30.2 billion in 2008, compared with increases of \$5.1 billion and \$0.1 billion in 2007 and 2006, respectively, inclusive of changes in accounting principles. The components of these changes are as follows:

- Changes in benefit plans reduced shareowners' equity by \$13.3 billion in 2008, reflecting declines in the fair value of plan assets as a result of market conditions and adverse changes in the economic environment. This compared with increases of \$2.6 billion and \$0.3 billion in 2007 and 2006, respectively. In addition, adoption of SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, at December 31, 2006, reduced shareowners' equity by \$3.8 billion. Further information about changes in benefit plans is provided in Note 6.
- Currency translation adjustments decreased shareowners' equity by \$11.0 billion in 2008 and increased equity by \$4.5 billion and \$3.6 billion in 2007 and 2006, respectively. Changes in currency translation adjustments reflect the effects of changes in currency exchange rates on our net investment in non-U.S. subsidiaries that have functional currencies other than the U.S. dollar. At the end of 2008, the U.S. dollar was stronger against most major currencies, including the pound sterling, the Australian dollar and the euro, compared with a weaker dollar against those currencies at the end of 2007 and 2006. The dollar was weaker against the Japanese yen in 2008 and 2007.
- Net unrealized losses on investment securities reduced shareowners' equity by \$3.2 billion in 2008, reflecting adverse market conditions on the fair value of securities classified as available for sale, primarily corporate debt and mortgage-backed securities. The change in fair value of investment securities decreased shareowners' equity by \$1.5 billion and \$0.2 billion in 2007 and 2006, respectively. Further information about investment securities is provided in Note 9.
- Changes in the fair value of derivatives designated as cash flow hedges decreased shareowners' equity by \$2.7 billion in 2008, primarily reflecting the effect of lower interest rates on interest rate and currency swaps. The change in the fair value of derivatives designated as cash flow hedges decreased equity by \$0.5 billion in 2007 and increased equity by \$0.2 billion in 2006. Further information about the fair value of derivatives is provided in Note 29.

As discussed in the previous Liquidity and Borrowings section, in the fourth quarter of 2008 we took a number of actions to strengthen our liquidity, maintain our dividend and maintain the highest credit ratings on our borrowing capability. Actions that were taken that affected our 2008 shareowners' equity included:

- We raised \$12.0 billion from the issuance of 547.8 million shares of common stock at an issuance price of \$22.25 per share.
- We issued 30,000 shares of preferred stock and related warrants for \$3.0 billion in proceeds.
- We suspended our share repurchase program.

As a result of these actions, Other Capital increased by \$14.3 billion in 2008, compared with increases of \$0.6 billion and \$0.3 billion in 2007 and 2006, respectively.

**Overview of Our Cash Flow from 2006 through 2008**

Consolidated cash and equivalents were \$48.2 billion at December 31, 2008, an increase of \$32.5 billion from December 31, 2007. Cash and equivalents amounted to \$15.7 billion at December 31, 2007, an increase of \$1.6 billion from December 31, 2006.

We evaluate our cash flow performance by reviewing our industrial (non-financial services) businesses and financial services businesses separately. Cash from operating activities (CFOA) is the principal source of cash generation for our industrial businesses. The industrial businesses also have liquidity available via the public capital markets. Our financial services businesses use a variety of financial resources to meet our capital needs. Cash for financial services businesses is primarily provided from the issuance of term debt and commercial paper in the public and private markets, as well as financing receivables collections, sales and securitizations.

**GE Cash Flow**

GE CFOA is a useful measure of performance for our non-financial businesses and totaled \$19.1 billion in 2008, \$23.3 billion in 2007 and \$23.8 billion in 2006. Generally, factors that affect our earnings—for example, pricing, volume, costs and productivity—affect CFOA similarly. However, while management of working capital, including timing of collections and payments and levels of inventory, affects operating results only indirectly, the effect of these programs on CFOA can be significant.

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

December 31 (In billions)	2008	2007	2006
Operating cash collections	\$115.5	\$102.8	\$90.6
Operating cash payments	(98.8)	(86.8)	(76.6)
Cash dividends from GECS	2.4	7.3	9.8
GE cash from operating activities (GE CFOA)	\$ 19.1	\$ 23.3	\$ 23.8

The most significant source of cash in CFOA is customer-related activities, the largest of which is collecting cash following a product or services sale. GE operating cash collections increased by \$12.7 billion in 2008 and \$12.2 billion in 2007. These increases are consistent with the changes in comparable GE operating segment revenues, comprising Energy Infrastructure, Technology Infrastructure, NBC Universal and Consumer & Industrial. Analyses of operating segment revenues discussed in the preceding Segment Operations section is the best way of understanding their customer-related CFOA.

The most significant operating use of cash is to pay our suppliers, employees, tax authorities and others for the wide range of materials and services necessary in a diversified global organization. GE operating cash payments increased by \$12.0 billion in 2008 and by \$10.2 billion in 2007, comparable to the increases in GE total costs and expenses.

Dividends from GECS represented distribution of a portion of GECS retained earnings, including special dividends from proceeds from certain business sales, and are distinct from cash from continuing operating activities within the financial services businesses, which increased in 2008 by \$6.2 billion to \$31.2 billion, following an increase of \$3.4 billion in 2007. The amounts we show in GE CFOA are the total dividends, including normal dividends as well as any special dividends from excess capital, primarily resulting from GECS business sales. Beginning in the third quarter of 2008, we reduced our dividend from GECS from 40% to 10% of GECS earnings.

GE sells customer receivables to GECS in part to fund the growth of our industrial businesses. These transactions can result in cash generation or cash use in any given period. The incremental cash generated or used from the sale of customer receivables (net effect) is the amount of cash received for receivables sold in a period less the amount of cash collected on receivables previously sold. This net effect represents the cash generated or used in the period related to this activity. The incremental cash generated in GE CFOA from selling these receivables to GECS decreased GE CFOA by \$0.1 billion in 2008, and increased GE CFOA by \$0.3 billion and \$2.0 billion in 2007 and 2006, respectively. See Note 26 for additional information about the elimination of intercompany transactions between GE and GECS.

### **GECS Cash Flow**

GECS cash and equivalents aggregated \$37.5 billion at December 31, 2008, compared with \$9.4 billion at December 31, 2007. GECS CFOA totaled \$31.2 billion in 2008, compared with \$25.0 billion in 2007. The increase is primarily the result of increased collections of interest from loans and finance leases and rental income from operating leases, resulting primarily from core growth and currency exchange; and increases in cash collateral received from counterparties on derivative contracts. These increases were partially offset by increases in interest payments resulting from increased borrowings and taxes paid.

GECS principal use of cash has been investing in assets to grow its businesses. Of the \$28.6 billion that GECS invested during 2008, \$17.4 billion was used for additions to financing receivables; \$13.3 billion was used to invest in new equipment, principally for lease to others; and \$25.0 billion was used for acquisitions of new businesses, the largest of which were Merrill Lynch Capital, CitiCapital and Bank BPH in 2008. This use of cash was partially offset by proceeds from dispositions of property, plant and equipment of \$11.0 billion and proceeds from sales of discontinued operations and principal businesses of \$10.1 billion.

GECS paid dividends to GE through a distribution of its retained earnings, including special dividends from proceeds of certain business sales. Dividends paid to GE totaled \$2.4 billion in 2008, compared with \$7.3 billion in 2007. There were no special dividends paid to GE in 2008, compared with \$2.4 billion in 2007. During 2008, GECS borrowings with maturities of 90 days or less decreased by \$31.3 billion. New borrowings of \$122.5 billion having maturities longer than 90 days were added during 2008, while \$67.1 billion of such long-term borrowings were retired.

### **Intercompany Eliminations**

Effects of transactions between related companies are eliminated and consist primarily of GECS dividends to GE; GE customer receivables sold to GECS; GECS services for trade receivables management and material procurement; 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. See Note 26 for further information related to intercompany eliminations.

The lack of a current-year counterpart to last year's \$2.4 billion GECS special dividend and a \$2.5 billion decrease in GECS ordinary dividend are the primary reasons for the decrease in the amount of intercompany eliminations referred to above.

### Contractual Obligations

As defined by reporting regulations, our contractual obligations for future payments as of December 31, 2008, follow.

(In billions)	Payments due by period				
	Total	2009	2010 – 2011	2012 – 2013	2014 and thereafter
Borrowings (Note 18)	\$523.8	\$193.7	\$115.6	\$79.8	\$134.7
Interest on borrowings	142.0	20.0	29.0	18.0	75.0
Operating lease obligations (Note 5)	6.6	1.3	2.2	1.6	1.5
Purchase obligations <sup>(a)(b)</sup>	63.0	40.0	16.0	6.0	1.0
Insurance liabilities (Note 19) <sup>(c)</sup>	22.0	3.0	5.0	3.0	11.0
Other liabilities <sup>(d)</sup>	97.0	33.0	8.0	4.0	52.0
Contractual obligations of discontinued operations <sup>(e)</sup>	1.0	1.0	—	—	—

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

(b) Excluded funding commitments entered into in the ordinary course of business by our financial services businesses. Further information on these commitments and other guarantees is provided in Note 31.

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

(d) Included an estimate of future expected funding requirements related to our pension and postretirement benefit plans and included liabilities for unrecognized tax benefits. Because their future cash outflows are uncertain, the following non-current liabilities are excluded from the table above: deferred taxes, derivatives, deferred revenue and other sundry items. See Notes 21 and 29 for further information on certain of these items.

(e) Included payments for other liabilities.

### Variable Interest Entities and Off-Balance Sheet Arrangements

We securitize financial assets and arrange other forms of asset-backed financing in the ordinary course of business to improve shareowner returns and as an alternative source of funding. 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.

Our securitization activities are conducted using Variable Interest Entities (VIEs), principally QSPEs. Certain of our VIEs are consolidated because we are considered to be the primary beneficiary of the entity. Our interests in other VIEs, including QSPEs and VIEs for which we are not the primary beneficiary, are accounted for as investment securities, financing receivables or equity method investments depending on the nature of our involvement. At December 31, 2008, consolidated variable interest entity assets and liabilities were \$26.6 billion and \$21.3 billion, respectively, a decrease of \$5.8 billion and \$3.1 billion from 2007, respectively. At December 31, 2008, variable interests in unconsolidated VIEs other than QSPEs were \$2.9 billion, an increase of \$1.2 billion from 2007. Our maximum exposure to loss related to such entities at December 31, 2008, was \$4.0 billion, up \$1.5 billion

from 2007, and includes our investment in the unconsolidated VIEs and our contractual obligations to fund new investments by these entities.

QSPEs that we use for securitization are funded with asset-backed commercial paper and term debt. The assets we securitize include receivables secured by equipment, commercial real estate, credit card receivables, floorplan inventory receivables, GE trade receivables and other assets originated and underwritten by us in the ordinary course of business. At December 31, 2008, off-balance sheet securitization entities held \$52.6 billion in transferred financial assets, down \$3.6 billion from year-end 2007. Assets held by these entities are of equivalent credit quality to our on-book assets. We monitor the underlying credit quality in accordance with our role as servicer and apply rigorous controls to the execution of securitization transactions. With the exception of credit and liquidity support discussed below, investors in these entities have recourse only to the underlying assets.

At December 31, 2008, our Statement of Financial Position included \$10.4 billion in retained interests related to the transferred financial assets discussed above. These retained interests are held by QSPEs and VIEs for which we are not the primary beneficiary and take two forms: (1) sellers' interests, which are classified as financing receivables, and (2) subordinated interests, designed to provide credit enhancement to senior interests, which are classified as investment securities. The carrying value of our retained interests classified as financing receivables was \$4.1 billion at December 31, 2008, down \$0.1 billion from 2007. The carrying value of our retained interests classified as investment securities was \$6.3 billion at December 31, 2008, up \$0.6 billion from 2007. Certain of these retained interests are accounted for with changes in fair value recorded in earnings. During both 2008 and 2007, we recognized declines in fair value on those retained interests of \$0.1 billion. For those retained interests classified as investment securities, we recognized other-than-temporary impairments of \$0.3 billion in 2008, compared with \$0.1 billion in 2007. Our recourse liability in these arrangements was an inconsequential amount in both 2008 and 2007.

We are party to various credit enhancement positions with securitization entities, including liquidity and credit support agreements and guarantee and reimbursement contracts, and have provided our best estimate of the fair value of estimated losses on such positions. The estimate of fair value is based on prevailing market conditions at December 31, 2008. Should market conditions deteriorate, actual losses could be higher. Our exposure to loss under such agreements was limited to \$2.1 billion at December 31, 2008. Based on our experience, we believe that, under any plausible future economic scenario, the likelihood is remote that the financial support arrangement we provide to securitization entities could have a material adverse effect on our financial position or results of operations.

We did not provide support to consolidated VIEs, unconsolidated VIEs or QSPEs beyond what we are contractually obligated to provide in either 2008 or 2007. We do not have implicit support arrangements with any VIEs or QSPEs.

The FASB currently has a project on its agenda that reconsiders the accounting for VIEs and securitization. While final guidance has not yet been issued, it is likely that the Board will eliminate the scope exclusion in FASB Interpretation (FIN) 46(R) related to QSPEs, which would result in consolidation of a majority of the QSPEs we use for securitization. In addition, proposed changes in the criteria for derecognition of financial assets will significantly reduce the number of securitizations that qualify for off-balance sheet treatment and gain recognition. A revised standard is expected to be issued later in 2009 and could be effective for our 2010 financial statements. Further information about our securitization activity and our involvement with QSPEs is provided in Note 30.

#### **Debt Instruments, Guarantees and Covenants**

The major debt rating agencies routinely evaluate our debt. This evaluation is based on a number of factors, which include financial strength as well as transparency with rating agencies and timeliness of financial reporting. In December 2008, Standard & Poor's Ratings Services affirmed our and GE Capital's "AAA" long-term and "A-1+" short-term corporate credit ratings but revised its ratings outlook from stable to negative based partly on the concerns regarding GE Capital's future performance and funding in light of capital market turmoil. On January 24, 2009, Moody's Investment Services placed the long-term ratings of GE and GE Capital on review for possible downgrade. The firm's "Prime-1" short-term ratings were affirmed. Moody's said the review for downgrade is based primarily upon heightened uncertainty regarding GE Capital's asset quality and earnings performance in future periods. Various debt instruments, guarantees and covenants would require posting additional capital or collateral in the event of a ratings downgrade, but none are triggered if our ratings are reduced to AA-/Aa3 or A-1+/P-1 or higher. Our objective is to maintain our Triple-A rating, but we do not anticipate any major operational impacts should that change.

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

Quantitative measures include:

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

Qualitative measures include:

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

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

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

PRINCIPAL DEBT CONDITIONS are described below.

The following conditions relate to GE and GECS:

- Swap, forward and option contracts are required to be executed under standard master agreements containing mutual downgrade provisions that provide the ability of the counterparty to require assignment or termination if the long-term credit rating of the applicable GE entity were to fall below A-/A3. In certain of these master netting agreements, the counterparty also has the ability to require assignment or termination if the short-term rating of the applicable GE entity were to fall below A-1/P-1. The fair value of our exposure after consideration of netting arrangements and collateral under the agreements was estimated to be \$4.0 billion at December 31, 2008.
- If GE Capital's ratio of earnings to fixed charges, which was 1.24:1 at the end of 2008, were to deteriorate to 1.10:1, GE has committed to contribute capital to GE Capital. GE also guaranteed certain issuances of GECS subordinated debt having a face amount of \$0.8 billion at December 31, 2008 and 2007.
- In connection with certain subordinated debentures for which GECC receives equity credit by rating agencies, GE has agreed to promptly return to GECC dividends, distributions or other payments it receives from GECC during events of default or interest deferral periods under such subordinated debentures. There were \$7.3 billion of such debentures outstanding at December 31, 2008.

The following conditions relate to consolidated entities:

- If the short-term credit rating of GE Capital or certain consolidated entities discussed further in Note 30 were to be reduced below A-1/P-1, GE Capital would be required to provide substitute liquidity for those entities or provide funds to retire the outstanding commercial paper. The maximum net amount that GE Capital would be required to provide in the event of such a downgrade is determined by contract, and amounted to \$3.8 billion at December 31, 2008.
- One group of consolidated entities holds investment securities funded by the issuance of GICs. If the long-term credit rating of GE Capital were to fall below AA-/Aa3 or its short-term credit rating were to fall below A-1+/P-1, GE Capital would be required to provide approximately \$3.5 billion of capital to such entities as of December 31, 2008, pursuant to letters of credit issued by GECC. To the extent that the entities' liabilities exceed the ultimate value of the proceeds from the sale of their assets and the amount drawn under the letters of credit, GE Capital could be required to provide such excess amount. As of December 31, 2008, the value of these entities' liabilities was \$10.7 billion and the fair value of their assets was \$9.2 billion (which included unrealized losses on investment securities of \$2.1 billion). With respect to these investment securities, we intend to hold them at least until such time as their individual fair values exceed their amortized cost and we have the ability to hold all such debt securities until maturity.
- Another consolidated entity also issues GICs where proceeds are loaned to GE Capital. If the long-term credit rating of GE Capital were to fall below AA-/Aa3 or its short-term credit rating were to fall below A-1+/P-1, GE Capital could be required to provide up to approximately \$4.7 billion as of December 31, 2008 to repay holders of GICs.

In our history, we have never violated any of the above conditions at GE, GECS or GE Capital.

On November 12, 2008, the FDIC approved GE Capital's application for designation as an eligible entity under the FDIC's TLGP. Qualifying debt issued by GE Capital is guaranteed under the Debt Guarantee Program of the FDIC's TLGP and is backed by the full faith and credit of the United States. The FDIC's guarantee under the TLGP is effective until the earlier of the maturity of the debt or June 30, 2012. The maximum amount of debt that GE Capital is permitted to have issued and outstanding under the Debt Guarantee Program at any time is approximately \$126 billion. At December 31, 2008, GE Capital had issued and outstanding, \$35.2 billion of senior, unsecured debt that was guaranteed by the FDIC. GE Capital and GE entered into an Eligible Entity Designation Agreement and GE Capital is subject to the terms of a Master Agreement, each entered into with the FDIC. The terms of these agreements include, among other things, a requirement that GE and GE Capital reimburse the FDIC for any amounts that the FDIC pays to holders of debt that is guaranteed by the FDIC.

## Critical Accounting Estimates

Accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties. All of these estimates reflect our best judgment about the current, and for some estimates future, economic and market conditions and their effects based on information available as of the date of these financial statements. If such conditions persist longer or deteriorate further than expected, it is reasonably possible that the judgments and estimates described below could change, which may result in future impairments of investment securities, goodwill, intangibles and long-lived assets, incremental losses on financing receivables, establishment of valuation allowances on deferred tax assets and increased tax liabilities, among other effects. Also see Note 1, Summary of Significant Accounting Policies, which discusses the significant accounting policies that we have selected from acceptable alternatives.

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

Further information is provided in the Global Risk Management section and Financial Resources and Liquidity—Financing Receivables section, the Asset impairment section that follows and in Notes 1, 12 and 13.

## REVENUE RECOGNITION ON LONG-TERM PRODUCT SERVICES

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

an adjustment of earnings; such adjustments decreased earnings by \$0.2 billion in 2008 and increased earnings by \$0.4 billion and \$0.8 billion in 2007 and 2006, respectively. We provide for probable losses when they become evident.

Carrying amounts for product services agreements in progress at both December 31, 2008 and 2007, were \$5.5 billion, and are included in the line, "Contract costs and estimated earnings" in Note 16.

Further information is provided in Note 1.

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

**Investments.** We regularly review investment securities for impairment using both quantitative and qualitative criteria. Quantitative criteria include the length of time and magnitude of the amount that each security is in an unrealized loss position and, for securities with fixed maturities, whether the issuer is in compliance with terms and covenants of the security. Qualitative criteria include the financial health of and specific prospects for the issuer, as well as our intent and ability to hold the security to maturity or until forecasted recovery. Our other-than-temporary impairment reviews involve our finance, risk and asset management functions as well as the portfolio management and research capabilities of our internal and third-party asset managers. See Note 28, which discusses the determination of fair value of investment securities.

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

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

Commercial aircraft are a significant concentration of assets in Capital Finance, and are particularly subject to market fluctuations. Therefore, we test recoverability of each aircraft in our operating lease portfolio at least annually. Additionally, we perform quarterly evaluations in circumstances such as when aircraft are re-leased, current lease terms have changed or a specific lessee's credit standing changes. We consider market conditions, such as global demand for commercial aircraft. Estimates of future rentals and residual values are based on historical experience and information

received routinely from independent appraisers. Estimated cash flows from future leases are reduced for expected downtime between leases and for estimated technical costs required to prepare aircraft to be redeployed. Fair value used to measure impairment is based on current market values from independent appraisers.

We recognized impairment losses on our operating lease portfolio of commercial aircraft of \$0.1 billion in both 2008 and 2007. Provisions for losses on financing receivables related to commercial aircraft were insignificant in 2008 and 2007.

Further information on impairment losses and our exposure to the commercial aviation industry is provided in the Operations – Overview section and in Notes 14 and 31.

**Real Estate.** We review our real estate investment portfolio for impairment routinely or when events or circumstances indicate that the related carrying amounts may not be recoverable. The cash flow estimates used for both estimating value and the recoverability analysis are inherently judgmental, and reflect current and projected lease profiles, available industry information about expected trends in rental, occupancy and capitalization rates and expected business plans, which include our estimated holding period for the asset. Our portfolio is diversified, both geographically and by asset type. However, the global real estate market is subject to periodic cycles that can cause significant fluctuations in market values. At December 31, 2008, the carrying value of our Capital Finance Real Estate investments exceeded the estimated value by about \$4 billion. At December 31, 2007, the estimated value exceeded the carrying value by about \$3 billion. This decline in the estimated value of the portfolio reflected sales of properties with a book value of \$5.8 billion, resulting in pre-tax gains of \$1.9 billion, and also reflected deterioration in current and expected real estate market liquidity and macroeconomic trends throughout the year, resulting in declining market occupancy rates and market rents as well as increases in our estimates of market capitalization rates based on historical data. Declines in estimated value of real estate below carrying value result in impairment losses when the aggregate undiscounted cash flow estimates used in the estimated value measurement are below carrying amount. As such, estimated losses in the portfolio will not necessarily result in recognized impairment losses. When we recognize an impairment, the impairment is measured based upon the fair value of the underlying asset which is based upon current market data, including current capitalization rates. During 2008, Capital Finance Real Estate recognized pre-tax impairments of \$0.3 billion in its real estate held for investment, as compared to \$0.2 billion in 2007. Continued deterioration in economic conditions or prolonged market illiquidity may result in further impairments being recognized. Furthermore, significant judgment and uncertainty related to forecasted valuation trends, especially in illiquid markets, results in inherent imprecision in real estate value estimates. Further information is provided in the Global Risk Management section and in Note 16.

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

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

Given the significant changes in the business climate for financial services and our stated strategy to reduce our Capital Finance ending net investment, we re-tested goodwill for impairment at the reporting units within Capital Finance during the fourth quarter of 2008. In performing this analysis, we revised our estimated future cash flows and discount rates, as appropriate, to reflect current market conditions in the financial services industry. In each case, no impairment was indicated. Reporting units within Capital Finance are CLL, GE Money, Real Estate, Energy Financial Services and GECAS, which had goodwill balances at December 31, 2008, of \$12.8 billion, \$9.1 billion, \$1.2 billion, \$2.2 billion and \$0.2 billion, respectively.

We review identified intangible assets with defined useful lives and subject to amortization for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires comparing the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. We test intangible assets with indefinite lives annually for impairment using a fair value method such as discounted cash flows. For our insurance activities remaining in continuing operations, we periodically test for impairment our deferred acquisition costs and present value of future profits.

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

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

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

Our discount rates for principal pension plans at December 31, 2008, 2007 and 2006 were 6.11%, 6.34% and 5.75%, respectively, reflecting market interest rates.

To determine the expected long-term rate of return on pension plan assets, we consider current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. In developing future return expectations for our principal benefit plans' assets, we evaluate general market trends as well as key elements of asset class returns such as expected earnings growth, yields and spreads across a number of potential scenarios. Assets in our principal pension plans declined 28.2% in 2008, and had average annual earnings of 3.3%, 4.0% and 10.1% per year in the five-, 10- and 25-year periods ended December 31, 2008, respectively. In 2007, assets in our principal pension plans earned 13.6% and had average annual earnings of 14.9%, 9.2% and 12.2% per year in the five-, 10- and 25-year periods ended December 31, 2007, respectively. Based on our analysis of future expectations of asset performance, past return results, and our current and expected asset allocations, we have assumed an 8.5% long-term expected return on those assets.

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

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

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

**INCOME TAXES.** Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining our tax expense and in evaluating our tax positions, including evaluating uncertainties under FIN 48, *Accounting for Uncertainty in Income Taxes*. We review our tax positions quarterly and adjust the balances as new information becomes available. Our income tax rate is significantly affected by the tax rate on our global operations. In addition to local country tax laws and regulations, this rate depends on the extent earnings are indefinitely reinvested outside the United States. Indefinite reinvestment is determined by management's judgment about and intentions concerning the future operations of the company. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as from net operating loss and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely heavily on estimates. We use our historical experience and our short and long-range business forecasts to provide insight. Further, our global and diversified business portfolio gives us the opportunity to employ various prudent and feasible tax planning strategies to facilitate the recoverability of future deductions. Amounts recorded for deferred tax assets related to non-U.S. net operating losses, net of valuation allowances, were \$1.8 billion and \$1.7 billion at December 31, 2008 and 2007, respectively. Such year-end 2008 amounts are expected to be fully recoverable within the applicable statutory expiration periods. To the extent we do not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is established.

Further information on income taxes is provided in the Operations—Overview section and in Notes 7 and 21.

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

In evaluating whether a particular relationship qualifies for hedge accounting, we test effectiveness at inception and each reporting period thereafter by determining whether changes in the fair value of the derivative offset, within a specified range, changes in the fair value of the hedged item. If fair value changes fail this test, we discontinue applying hedge accounting to that relationship prospectively. Fair values of both the derivative instrument and the hedged item are calculated using internal valuation models incorporating market-based assumptions, subject to third-party confirmation.

At December 31, 2008, derivative assets and liabilities were \$12.6 billion and \$5.2 billion, respectively. Further information about our use of derivatives is provided in Notes 18, 23 and 29.

**INVESTMENTS MEASURED AT FAIR VALUE IN EARNINGS** include retained interests in securitizations accounted for under SFAS 155, *Accounting for Certain Hybrid Financial Instruments*, and equity investments of \$2.6 billion at year-end 2008. The earnings effects of changes in fair value on these assets, favorable and unfavorable, will be reflected in the period in which those changes occur. As discussed in Note 17, we have businesses that are held for sale valued at \$2.7 billion at year-end 2008, which represents the estimated fair value less costs to sell. Those sales are expected to close in the first quarter of 2009. As discussed in Note 16, we also have assets that are classified as held for sale in the ordinary course of business, primarily credit card receivables, loans and real estate properties, carried at \$5.0 billion at year-end 2008, which represents the lower of carrying amount or estimated fair value less costs to sell. To the extent that the estimated fair value less costs to sell is lower than carrying value, any favorable or unfavorable changes in fair value will be reflected in earnings in the period in which such changes occur.

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

Further information is provided in Notes 20 and 31.

## Other Information

### New Accounting Standards

On September 15, 2006, the FASB issued SFAS 157, *Fair Value Measurements*, which defines fair value, establishes a new framework for measuring that value and expands disclosures about fair value measurements. The standard applied prospectively to new fair value measurements performed after January 1, 2008, for measurements of the fair values of financial instruments and recurring fair value measurements of non-financial assets and liabilities; on January 1, 2009, the standard applies to all remaining fair value measurements, including non-recurring valuations of non-financial assets and liabilities such as those used in measuring impairments of goodwill, other intangible assets and other long-lived assets. It also applies to fair value measurements of non-financial assets acquired and liabilities assumed in business combinations consummated after January 1, 2009.

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

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

Generally, the effects of SFAS 141(R) will depend on future acquisitions. In the fourth quarter of 2008, we expensed an insignificant amount of direct costs related to business combinations that were in process, but not completed by the effective date of SFAS 141(R). In December 2008, the FASB issued FASB Staff Position (FSP) FAS 141(R)-a, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, a proposed FSP which would amend the accounting in SFAS 141(R) for assets and liabilities arising from contingencies in a business combination. The proposed FSP would require that pre-acquisition contingencies be recognized at fair value, if fair value can be reasonably determined. If fair value cannot be reasonably determined, the proposed FSP requires measurement based on the best estimate in accordance with SFAS 5, *Accounting for Contingencies*.

Also on December 4, 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of ARB No. 51, which is effective for us on January 1, 2009. This standard will significantly change the accounting and reporting related to noncontrolling interests in our consolidated

financial statements. After adoption, noncontrolling interests (\$8.9 billion and \$8.0 billion at December 31, 2008 and 2007, respectively) will be classified as shareowners' equity, a change from its current classification between liabilities and shareowners' equity. Earnings attributable to minority interests (\$0.6 billion in 2008 and \$0.9 billion in both 2007 and 2006) will be included in net earnings, although such earnings will continue to be deducted to measure earnings per share. Purchases and sales of minority interests will be reported in equity similar to treasury stock transactions. Gains on sales of minority interests that would not have been reported in net earnings under SFAS 160 amounted to \$0.4 billion and \$0.9 billion in 2008 and 2007, respectively.

On December 12, 2007, the FASB ratified Emerging Issues Task Force (EITF) Issue 07-1, *Accounting for Collaborative Arrangements*. The consensus provides guidance on presentation of the financial results of a collaborative arrangement, including payments between the parties. The consensus requires us to present the results of the collaborative arrangement in accordance with EITF Issue 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, and, in the absence of applicable authoritative literature, to adopt an accounting policy for payments between the participants that will be consistently applied. The consensus is applied retrospectively to all collaborative arrangements existing as of January 1, 2009, and covers arrangements in several of our businesses. Adoption of this standard will not affect our earnings, cash flows or financial position.

### Research and Development

GE-funded research and development expenditures were \$3.0 billion in both 2008 and 2007, and \$2.8 billion in 2006. In addition, research and development funding from customers, principally the U.S. government, totaled \$1.3 billion, \$1.1 billion and \$0.7 billion in 2008, 2007 and 2006, respectively. Technology Infrastructure's Aviation business accounts for the largest share of GE's research and development expenditures with funding from both GE and customer funds. Technology Infrastructure's Healthcare business and Energy Infrastructure's Energy business also made significant expenditures funded primarily by GE.

Expenditures reported above reflect the definition of research and development required by U.S. generally accepted accounting principles. For operating and management purposes, we consider amounts spent on product and services technology to include our reported research and development expenditures, but also amounts for improving our existing products and services, and the productivity of our plant, equipment and processes. On this basis, our technology expenditures in 2008 were \$5.3 billion.

### Orders Backlog

GE's total backlog of firm unfilled orders at the end of 2008 was \$70.5 billion, an increase of 7% from year-end 2007, reflecting increased demand at Energy Infrastructure and Technology Infrastructure. Of the total backlog, \$51.8 billion related to products, of which 60% was scheduled for delivery in 2009. Product services orders, included in this reported backlog for only the succeeding 12 months, were \$18.7 billion at the end of 2008. Orders constituting this backlog may be cancelled or deferred by customers, subject in certain cases to penalties. See the Segment Operations section for further information.

## Selected Financial Data.

The following table provides key information for Consolidated, GE and GECS.

(Dollars in millions; per-share amounts in dollars)	2008	2007	2006	2005	2004
<b>GENERAL ELECTRIC COMPANY AND CONSOLIDATED AFFILIATES</b>					
Revenues	\$182,515	\$172,488	\$151,568	\$136,262	\$123,814
Earnings from continuing operations	18,089	22,457	19,344	17,279	15,591
Earnings (loss) from discontinued operations, net of taxes	(679)	(249)	1,398	(559)	1,631
Net earnings	17,410	22,208	20,742	16,720	17,222
Dividends declared <sup>(a)</sup>	12,649	11,713	10,675	9,647	8,594
Return on average shareowners' equity <sup>(b)</sup>	15.9%	20.4%	19.8%	18.1%	18.8%
Per common share					
Earnings from continuing operations—diluted	\$ 1.78	\$ 2.20	\$ 1.86	\$ 1.63	\$ 1.49
Earnings (loss) from discontinued operations—diluted	(0.07)	(0.02)	0.13	(0.05)	0.16
Net earnings—diluted	1.72	2.17	2.00	1.57	1.65
Earnings from continuing operations—basic	1.79	2.21	1.87	1.63	1.50
Earnings (loss) from discontinued operations—basic	(0.07)	(0.02)	0.14	(0.05)	0.16
Net earnings—basic	1.72	2.18	2.00	1.58	1.66
Dividends declared	1.24	1.15	1.03	0.91	0.82
Stock price range	38.52–12.58	42.15–33.90	38.49–32.06	37.34–32.67	37.75–28.88
Year-end closing stock price	16.20	37.07	37.21	35.05	36.50
Cash and equivalents	48,187	15,731	14,086	8,608	11,833
Total assets of continuing operations	796,046	786,794	674,966	588,821	578,560
Total assets	797,769	795,683	697,273	673,210	750,252
Long-term borrowings	330,067	319,013	260,749	212,167	207,784
Common shares outstanding—average (in thousands)	10,079,923	10,182,083	10,359,320	10,569,805	10,399,629
Common shareowner accounts—average	604,000	608,000	624,000	634,000	658,000
Employees at year end					
United States	152,000	155,000	155,000	161,000	165,000
Other countries	171,000	172,000	164,000	155,000	142,000
Total employees	323,000	327,000	319,000	316,000	307,000 <sup>(c)</sup>
<b>GE DATA</b>					
Short-term borrowings	\$ 2,375	\$ 4,106	\$ 2,076	\$ 972	\$ 3,252
Long-term borrowings	9,827	11,656	9,043	8,986	7,561
Minority interest	6,678	6,503	5,544	5,308	7,236
Shareowners' equity	104,665	115,559	111,509	108,633	110,181
Total capital invested	\$123,545	\$137,824	\$128,172	\$123,899	\$128,230
Return on average total capital invested <sup>(b)</sup>	14.8%	18.9%	18.5%	16.7%	16.9%
Borrowings as a percentage of total capital invested <sup>(b)</sup>	9.9%	11.4%	8.7%	8.0%	9.0%
Working capital <sup>(b)</sup>	\$ 3,904	\$ 6,433	\$ 7,527	\$ 7,853	\$ 7,788
<b>GECS DATA</b>					
Revenues	\$ 71,287	\$ 71,936	\$ 61,351	\$ 54,889	\$ 50,320
Earnings from continuing operations	7,774	12,417	10,219	8,929	7,614
Earnings (loss) from discontinued operations, net of taxes	(719)	(2,116)	439	(1,352)	1,114
Net earnings	7,055	10,301	10,658	7,577	8,728
Shareowner's equity	53,279	57,676	54,097	50,812	54,379
Total borrowings	514,601	500,922	426,262	362,042	355,463
Ratio of debt to equity at GE Capital	8.76:1 <sup>(d)</sup>	8.10:1	7.52:1	7.09:1	6.45:1
Total assets	\$660,902	\$646,485	\$565,258	\$540,584	\$618,614

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

(a) Includes \$75 million of preferred stock dividends in 2008.

(b) Indicates terms are defined in the Glossary.

(c) Includes employees of Genworth, which was subsequently deconsolidated in 2005.

(d) 7.07:1 net of cash and equivalents and with classification of hybrid debt as equity.