

GUIDE TO THE GE 2002 ANNUAL REPORT

UNDERSTANDING ANNUAL REPORTS

INTRODUCTION

This guide will walk you through the basics of how to read an annual report. Knowing how to read the information provided in annual reports helps anyone become a more informed investor. Even if you have no prior experience in finance or accounting, understanding a few simple concepts and guidelines goes a long way.

This guide is available to help you in two ways. You can read the entire guide here, or read excerpts while experiencing the site. Whenever you see an 'I' icon in the left-hand corner, you can select it to pop-up a guide entry on that section. The guide also contains a glossary of common terms available as you explore the site by clicking on the 'I' icon next to a glossary word.

Why Companies Publish Annual Reports

An annual report represents a company's performance during the previous year, as well as management's discussion of the company's strategy for the future. It is one of the most important communications that publicly held corporations provide to the investing public.

Companies create and distribute their annual reports in order to:

1. Present an overview of the company, management's discussion of the company's prior year performance and the company's plans for the future
2. Report the company's financial performance for the previous year, and compare performance to prior years
3. Fulfill part of their obligations for public financial reporting mandated by the Securities and Exchange Commission (SEC), the primary securities regulatory body of the United States Government.

Why Investors & Analysts Read Annual Reports

Investors and investment analysts read annual reports in order to help determine whether a company might be an attractive investment. Annual reports contain useful information regarding a company's past and present financial performance, future strategic direction, overall strength of leadership and corporate mission.

Nonetheless, an annual report is only one of many possible sources of information for making informed investment decisions. Analysts also need information that positions the annual report information within a larger context. Other sources include the business press, investment analyst reports, company press releases, industry association reports and many others.

SECTIONS OF AN ANNUAL REPORT

Letter to Stakeholders

Annual reports often begin with a letter from the Chief Executive Officer (CEO) and/or Chairman. GE's letter is called the "Letter to Stakeholders". This letter includes management's assessment of the prior year, as well as discussion of future plans. The letter typically highlights the CEO's priorities for the coming year.

Stakeholders, refers to all of the people with an interest in the success and activities of a firm, in this case GE. This includes everyone from share owners and employees to members of the communities in which GE maintains operations. The notion of stakeholders reflects the impact firms have beyond their share owners.

Financial Highlights

Near the front, annual reports often include a visual representation of important financial performance information. This allows management to emphasize selected aspects of company performance. In GE's case, they highlight the steady increase in consolidated revenues, earnings per share and cumulative cash flows.

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) in the GE Annual Report provides an area for management to analyze the company's performance through a series of discussion points, in this case:

- Operations
- Financial Resources and Liquidity
- Selected Financial Data
- Critical Accounting Policies

MANAGEMENT'S DISCUSSION OF OPERATIONS

Management's discussion of operations includes management's commentary on the company's overall performance (Consolidated Operations), as well as a breakdown by operating units (summary of operating segments).

Addressing each operating segment separately, allows GE to discuss performance by segment. GE is one of the largest global firms, composed of many different types of businesses, each competing in much different markets. For instance, financial services provided by GE, such as Insurance and Commercial Credit, compete in markets much different than products segments, such as Consumer Products or Industrial Products. Management discusses each segment separately, and breaks out international operations from domestic operations.

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FINANCIAL RESOURCES AND LIQUIDITY

This section describes the company's position relative to covering its cash requirements for continuing operations and servicing debt. Liquidity refers to a company's ownership of and access to the cash necessary to cover ongoing operations and other financial commitments, like outstanding bills and debt payments to lenders.

SELECTED FINANCIAL DATA

This section simply shows financial data that management has selected to discuss prior to the detail presented in the financial statements.

CRITICAL ACCOUNTING POLICIES

Here, companies identify certain accounting policies and decisions to highlight that have a particular impact on the numbers reported in the financial statements.

Financial Statements

INTRODUCTION TO THE FINANCIAL STATEMENTS

Financial statements are required by the SEC and present a detailed summary reflecting the company's financial performance over the most recent years, with a particular focus on the immediate prior year.

Financial statements present a summary of the financial situation of a firm based on total sales and expenses (statement of earnings), assets, liabilities and share owner equity (statement of financial position) and the flow of cash in and out of the company (statement of cash flows). These statements help analysts determine the financial health of a company. Does it have sufficient cash flow to keep operating successfully? Is the cash flow position of the company improving or deteriorating over time? How do the liabilities (monies owed) look, relative to the assets (things owned)? Is the company profitable, and is profitability increasing or decreasing over time?

HOW THE STATEMENTS ARE GENERATED

A company's financial function, led by the Chief Financial Officer (CFO), addresses both the strategic and operational financial requirements encountered throughout the year. In a company the size of GE, this includes thousands of people taking care of financial reporting and forecasting in numerous business segments worldwide. A critical part of this responsibility is to keep track of all activities with a financial impact. This includes nearly everything a firm does. Everything from a small business expense or sales trip, to massive capital investments in manufacturing equipment, or even future-creating investments like research & development must be accounted for in detail by financial managers. Likewise, every time a company receives or makes payments or any form of

capital inflow from outside sources, the finance operation must account for it. Even flows of capital within and between business units of a company must be accurately tracked.

These statements are provided in consolidated and unconsolidated forms.

CONSOLIDATED VS. NON-CONSOLIDATED

Saying that a financial statement is consolidated tells the reader that the financial performance of all of the company's business segments and subsidiaries has been added together into one summary report.

Annual reports also provide, to varying extents, unconsolidated reports of the financial activities of various segments, subsidiaries or other operations of a company. GE's report offers investors numerous reports regarding the company's various business segments. In particular, GE makes an important distinction between its predominantly financial business segments, referred to in its annual report as General Electric Capital Services (GECS), and its industrial manufacturing and product services businesses, referred to in the Annual Report as General Electric (GE). Don't be confused, GECS and GE are both part of the General Electric Company.

Both GECS and GE are divided into operating segments such as Aircraft Engines, Consumer Finance and Equipment Management, to name a few. Management's Discussion of Operations as well as many of the financial statements included in the annual report address each Operating Segment separately in order to give investors greater visibility into the activities and performance of each segment.

The overall consolidated statements can be helpful, but reviewing the reports regarding individual segments can give investors a more informed understanding of a company's performance.

STATEMENT OF EARNINGS

Also known as the "income statement" or "bottom line", the statement of earnings shows the company's revenues minus its expenses. In essence: revenues – expenses = earnings. It begins on the top section with revenues, subtracts expenses of various types, and then shows the outcome, or earnings before income taxes and accounting changes. Net earnings refers to earnings after income taxes have been subtracted.

"Earnings" is what people mean when they say "profits", which can mean either a company's pre-tax or after-tax profits.

The Per Share Amounts section divides GE's net earnings by the total number of shares outstanding. Finally, the "dividends declared per share" shows how much GE paid to investors during the period presented for each share owned.

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STATEMENT OF CHANGES IN SHARE OWNER EQUITY

Share owner equity shows changes in the value of a company from its accountants' point of view — evaluating the company's assets and liabilities instead of its stock. Share owner equity gives an idea of accounting value. The notion of “share owner equity” theoretically reflects the value of ownership in the company based on subtracting the total liabilities (or monies owed) from the total assets (things owned). It makes intuitive sense that this would equal the value remaining for shareowners; however, this is actually the value reflected by the next statement in GE's annual report, the “Statement of Financial Position”.

In fact, the “real” or “market” value of what shareowners hold in GE stock is determined by investors buying and selling GE's shares. The share owner equity statement does not reflect the market value of GE's share. Instead, it provides a notion of accounting value. It is important to recognize the distinction between the value listed under share owner equity and the actual value of GE reflected by GE's share price.

STATEMENT OF FINANCIAL POSITION

Investors can think of this statement, also referred to as a balance sheet, as a financial snapshot of the company at a specific moment in time. In this case, GE's statement shows the Company's financial position as of December 31, 2002, and also the year prior on the same date for comparison.

The first section, “Assets” lists all of the things owned by GE, starting at the top with highly liquid assets like “cash and equivalents”, moving down the list to less liquid, longer-term assets like “property, plant and equipment”, also known as fixed assets. A liquid asset is an asset that can be quickly converted into cash. As such, US dollars are the most liquid of assets!

The second section, “Liabilities and Equity”, begins by listing all of the monies GE owes to others, or liabilities. This includes items like monies owed to companies that sell products and services to GE, also known as “accounts payable”, to liabilities like long-term debt owed over many years to a bank.

The “Liabilities and Equity” section concludes with a listing of shareowners' equity, or the amount of the company held by share owners.

The combination of GE's liabilities and shareowner equity equals the balance sheet value of GE's assets. The balance sheet is so-named because total assets must “balance” (i.e.— be equal) with total liabilities & equity.

STATEMENT OF CASH FLOWS

The statement of cash flows shows how much money moved in and out of a company during a particular period or periods. It is literally an accounting of the “flow” of cash. Cash flow is of critical importance to every company. Firms require cash to pay operating expenses, repay loans and make investments— everything to provide goods and services to customers.

The statement of cash flows begins with the “net earnings”, which is the same value as listed for net earnings on the statement of earnings. The statement then lists a number of adjustments to this earnings number to accurately determine how many actual dollars came in and how much went out during the period presented. The structure of the statement distinguishes between three different sources of cash flow:

1. CASH FROM OPERATING ACTIVITIES, which represents cash flowing in and out as a result of GE's regular operating activities, like making and selling products and services.

2. CASH FROM INVESTING ACTIVITIES refers to cash flowing in and out of GE as a result of investments the company makes in things like new production equipment, real estate or new facilities. This section includes capital investments made on purchases that are accounted for by depreciation.¹ This section can also include things like cash inflow to GE as a result of selling off property, equipment, facilities and similar assets.

3. CASH FROM (USED FOR) FINANCING ACTIVITIES reports cash that the company raised or used by financing activities such as borrowing money from banks, issuing corporate bonds or paying dividends to share owners. Paying dividends would be an example of “(Used for) Financing Activities”.

The line “Increase (Decrease) in Cash and Equivalents During Year” shows the total change in cash position as a result of cash flows during each of the years listed: 2002, 2001, 2000.

The Difference between Earnings & Cash Flow

It is important to recognize that earnings and cash flow are not the same. Cash flow reflects the total amount of actual cash that has moved in and out of a company during a specific period. Earnings represent the difference between revenues and expenses, with adjustments for special cases like income from investments or expenses like income taxes.

¹ The practice of depreciation means that only a portion of the cost of a capital investment is reflected as an expense on the Statement of Earnings for the year in which the investment is made. The remaining cost is divided up and treated as an expense over a number of years in the future. The number of years over which a capital investment is depreciated depends on a number of factors.

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Notes to Financial Statements

This section is exactly what the title suggests: notes describing and supporting specific items presented in the Financial Statements. Notes include information that can be helpful in understanding the numbers and calculations. The Notes section helps explain how the Company's financial managers arrived at the numbers and what they mean.

The Financial Statements in GE's report reflect the financial performance of the company's global operations. Preparing the statements requires summarizing numerous activities worldwide into one concise set of financial reports. The notes describe how they synthesized the information into this one report.

Independent Auditors' Report

The Independent Auditors' Report is a confirmation letter from an accredited third-party auditing firm confirming that, based upon their assessment, the company's financial statements presented in the annual report accurately present the company's performance. The auditors base their evaluation on detailed reviews of the company's financial records, as well as current Generally Accepted Accounting Principles (GAAP).

Federal securities laws require publicly held companies to follow GAAP, which helps to ensure accuracy and consistency. For more information on GAAP, see the Financial Accounting Standards Board's website at www.fasb.org.

A FEW SUGGESTIONS FOR FURTHER INFORMATION

Introduction to Corporate Finance

Brealey, Myers & Markus McGraw-Hill

This introductory college textbook includes an excellent, easy to understand chapter describing the basics of accounting. While accounting is a broad and often complex field, this textbook does a good job of summarizing the aspects of accounting most critical for understanding corporate finance. The book also includes chapters discussing what it means to be a "publicly held company", how firms go through the process of "going public" (selling shares of ownership in the company to investors through the public markets) and many other issues of interest.

Financial Accounting Standards Board

<http://www.fasb.org/>

This site provides detail on the Generally Accepted Accounting Principles (GAAP) used by financial managers to prepare financial statements and used by auditors to evaluate the statements included in annual reports. FASB (pronounced "FAZ-be") is a private sector, non-profit organization that operates as an open forum for the accounting industry to set standards for financial reporting practices.

Securities and Exchange Commission

<http://www.sec.gov/>

The SEC's site offers investors a source for understanding the requirements the SEC places on public companies, as well as its efforts to regulate and monitor securities-related activities.

BUSINESS DESCRIPTIONS

A description of operating segments for General Electric Company and consolidated affiliates follows.

GE Aircraft Engines

Jet engines and replacement parts and repair and maintenance services for all categories of commercial aircraft (short/medium, intermediate and long-range); for a wide variety of military aircraft, including fighters, bombers, tankers and helicopters; and for executive and commuter aircraft. Products and services are sold worldwide to airframe manufacturers, airlines and government agencies. Also includes aircraft engine derivatives, used as marine propulsion and industrial power sources; the latter is also reported in Power Systems.

GE Commercial Finance

Loans, financing and operating leases, and other services for customers, including manufacturers, distributors and end-users, for a variety of equipment and major capital assets including industrial facilities and equipment, energy-related facilities, commercial and residential real estate loans and investments, vehicles, aircraft, and equipment used in construction, manufacturing, data processing and office applications, electronics and telecommunications, and healthcare.

GE Consumer Finance

Private-label credit card loans, personal loans, time sales and revolving credit, residential mortgage financing and inventory financing for retail merchants, and auto leasing and inventory financing.

GE Consumer Products

Major appliances and related services for products such as refrigerators, freezers, electric and gas ranges, cooktops, dishwashers, clothes washers and dryers, microwave ovens, room air conditioners and residential water system products. Products and services are sold in North America and in global markets under various GE and private-label brands. Distributed to both retail outlets and direct to consumers, mainly for the replacement market, and to building contractors and distributors for new installations. Lighting products include a wide variety of lamps, lighting fixtures and wiring devices.

GE Equipment Management

Leases, loans, sales and asset management services for portfolios of commercial and transportation equipment, including tractors, trailers, auto fleets, railroad rolling stock, intermodal shipping containers and modular space units.

GE Industrial Products and Systems

Electrical distribution and control equipment (including power delivery and control products such as transformers, meters, relays, capacitors and arresters); measurement and sensing equipment (products and subsystems for sensing temperatures, humidity and pressure); security equipment and systems (including card access systems, video and sensor monitoring equipment and integrated facility monitoring systems); transportation systems products and maintenance services (including diesel and electric locomotives, transit propulsion equipment, motorized wheels for off-highway vehicles, and railway signaling communications systems); electric motors and related products; a broad range of electrical and electronic industrial automation products (including drive systems); installation, engineering and repair services, which includes management and technical expertise for large projects such as process control systems; and GE Supply, a network of electrical supply houses. Markets are extremely diverse. Products and services are sold to commercial and industrial end users, including utilities, to original equipment manufacturers, to electrical distributors, to retail outlets, to railways and to transit authorities. Increasingly, products and services are developed for and sold in global markets.

GE Insurance

U.S. and international multiple-line property and casualty reinsurance, certain directly written specialty insurance and life reinsurance, consumer investment, insurance and retirement services; financial guaranty insurance, principally on municipal bonds and asset-backed securities and private mortgage insurance.

GE Materials

High-performance engineered plastics used in applications such as automobiles and housings for computers and other business equipment; ABS resins; silicones; superabrasive industrial diamonds; quartz products; and laminates. Also includes engineered specialty chemical treatment programs for water and process systems in industrial, commercial and institutional facilities worldwide. Products and services are sold worldwide to a diverse customer base consisting mainly of manufacturers.

BUSINESS DESCRIPTIONS

NBC

Principal businesses are the furnishing of U.S. network television services to more than 220 affiliated stations, production of television programs, operation of 28 VHF and UHF television broadcasting stations, operation of four cable/satellite networks around the world, and investment and programming activities in the Internet, multimedia and cable television.

GE Power Systems

Power plant products and services, including design, installation, operation and maintenance services sold into global markets. Gas turbines, steam turbines, generators and related services including total asset optimization solutions and equipment upgrades are sold to power generation and other industrial customers. Renewable energy solutions including wind turbines and hydro. Advanced turbomachinery products and related services for the oil and gas market, also including total pipeline integrity solutions. Substation automation and network solutions sold to power transmission and distribution customers. Also includes portable and rental power plants, nuclear reactors, fuel and nuclear support services.

GE Technical Products and Services

Medical imaging systems such as magnetic resonance (MR) and computed tomography (CT) scanners, x-ray, nuclear imaging and ultrasound, as well as diagnostic cardiology and patient monitoring devices; related services, including equipment monitoring and repair, computerized data management and customer productivity services. Products and services are sold worldwide to hospitals and medical facilities. A full range of computer-based information and data interchange services for both internal and external use to commercial and industrial customers was included through September 2002, when we sold this business.

All Other GECS

GECS activities and businesses that we have chosen not to allocate to one of the four GECS segments, including IT Solutions, GE Auto & Home, GE Equity, AFS, Americom, Wards and other asset impairments and product line exits.

GLOSSARY

BACKLOG Unfilled customer orders for products and services.

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

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

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

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

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

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

DIRECT WRITTEN PREMIUMS Amounts charged to insureds in exchange for coverages provided in accordance with the terms of an insurance/reinsurance contract.

EARNED PREMIUMS Portion of the premium pertaining to the segment of the policy period for which insurance coverage has been provided.

EFFECTIVE TAX RATE Provision for income taxes as a percentage of earnings before income taxes and accounting changes. Does not represent cash paid for income taxes in the current accounting period.

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

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

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

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

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

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

GUARANTEED INVESTMENT CONTRACTS (GICs) (including funding agreements) are deposit-type products that provide a stated interest rate on funds deposited with the insurer for a stated period. These products are generally purchased by Employee Retirement Income Security Act of 1974 (ERISA) qualified defined contribution plans and institutional accredited investors.

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

INSURANCE RECEIVABLES Receivables of our insurance businesses associated with (1) reinsurance agreements in which those businesses legally transferred (ceded) insurance losses (and related premiums) to reinsurers and are entitled to recovery of those insurance losses; (2) premiums on insurance and reinsurance contracts; (3) policy loans to policyholders of certain life insurance contracts; and (4) premium funds on deposit with reinsurance customers as collateral for our obligations as a reinsurer.

INTANGIBLE ASSET A non-financial asset lacking physical substance, such as goodwill, patents, trademarks and licenses. Also includes present value of future profits, which are anticipated net discounted cash flows to be realized from certain in-force insurance, annuity and investment contracts at the date we acquire a life insurance business.

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

GLOSSARY

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

MONETIZATION Sale of financial assets to a third party for cash. For example, we sell certain loans, credit card receivables and trade receivables to third-party financial buyers, typically providing at least some credit protection and often agreeing to provide collection and processing services for a fee. Monetization of interest-bearing assets such as loans normally results in gains; monetization of non-interest bearing assets such as trade receivables normally results in losses.

NET REVENUES For our lending and leasing businesses, revenues from services less interest and other financial charges.

OPERATING MARGIN Sales of goods and services less the sum of cost of goods and services sold plus selling, general and administrative expenses. Operating margin is often expressed as a percentage of sales—the operating margin rate.

OPERATING PROFIT Earnings before interest and other financial charges, income taxes and effects of accounting changes.

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

PREMIUM Rate that is charged under insurance/reinsurance contracts.

PRESENT VALUE OF FUTURE PROFITS See “Intangible Asset.”

PRODUCT SERVICES AGREEMENTS See “Customer Service Agreements.”

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

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

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

RETROCESSION AGREEMENT Contract to acquire third-party insurance protection for reinsurance policies written. Retrocession is a risk mitigation technique.

RETURN ON AVERAGE SHARE OWNERS' EQUITY Earnings before accounting changes divided by average total equity (on an annual basis, calculated using a five-point average).

RETURN ON AVERAGE TOTAL CAPITAL INVESTED Earnings before accounting changes plus the sum of after-tax interest and other financial charges and minority interest, divided by the sum of total equity, borrowings and minority interest (on an annual basis, calculated using a five-point average).

SECURITIZATION A process whereby loans or other receivables are packaged, underwritten and sold to investors. In some instances, the assets sold are first transferred to an unconsolidated SPE. These entities are structured to be bankruptcy remote in order to isolate the credit risk of the assets from the overall credit risk of the selling entity. Outside investors, usually institutions, typically purchase a debt instrument issued by the SPE. Whether or not credit risk associated with the securitized assets is retained by the seller depends on the structure of the securitization. See “Monetization.”

SEPARATE ACCOUNT Investments controlled by policyholders and associated with identical amounts reported as insurance liabilities.

TURNOVER Broadly based on the number of times that working capital is replaced during a year. Accounts receivable turnover is total sales divided by the 5-point average balance of customer receivables from sales of goods and services (trade receivables). Inventory turnover is total sales divided by a 5-point average balance of inventories. See “Working Capital.”

UNEARNED PREMIUMS Portion of the premium received that relates to future coverage periods.

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

VARIABLE INTEREST ENTITY Entity defined by Financial Accounting Standards Board Interpretation No. 46, and that must be consolidated by its primary beneficiary. A variable interest entity has one or both of the following characteristics: (1) its equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) as a group, the equity investors lack one or more of the following characteristics: (a) direct/indirect ability to make decisions, (b) obligation to absorb expected losses, or (c) right to receive expected residual returns.

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