

GENERAL ELECTRIC CO
Form 10-Q
July 27, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

OR

TRANSITION REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission file number 1-35

GENERAL ELECTRIC COMPANY

(Exact name of registrant as specified in its
charter)

New York

(State or other jurisdiction of incorporation
or organization)

14-0689340

(I.R.S. Employer Identification No.)

3135 Easton Turnpike, Fairfield, CT

(Address of principal executive offices)

06828-0001

(Zip Code)

(Registrant's telephone number, including area code) **(203) 373-2211**

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

There were 10,246,177,000 shares of common stock with a par value of \$0.06 per share outstanding at June 30, 2007.

(1)

General Electric Company

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Forward-Looking Statements

This document contains “forward-looking statements”— that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest and exchange rates and commodity and equity prices; the commercial and consumer credit environment; the impact of regulation and regulatory, investigative and legal actions; strategic actions, including acquisitions and dispositions; future integration of acquired businesses; future financial performance of major industries which we serve, including, without limitation, the air and rail transportation, energy generation, media, real estate and healthcare industries; and numerous other matters of national, regional and global scale, including those of a political, economic, business and competitive nature. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

Part I. Financial Information**Item 1. Financial Statements****Condensed Statement of Earnings****General Electric Company and consolidated affiliates****Three months ended June 30 (Unaudited)**

<i>(In millions; per-share amounts in dollars)</i>	Consolidated		GE		Financial Services (GECS)	
	2007	2006	2007	2006	2007	2006
Sales of goods	\$ 14,798	\$ 14,234	\$ 14,867	\$ 13,703	\$ 28	\$ 712
Sales of services	9,314	8,373	9,463	8,455	-	-
Other income	1,423	644	1,513	682	-	-
GECS earnings from continuing operations	-	-	2,167	2,594	-	-
GECS revenues from services	16,781	14,494	-	-	17,076	14,743
Total revenues	42,316	37,745	28,010	25,434	17,104	15,455
Cost of goods sold	11,900	11,006	11,974	10,529	23	659
Cost of services sold	5,607	5,316	5,756	5,397	-	-
Interest and other financial charges	5,718	4,480	422	439	5,540	4,196
Investment contracts, insurance losses and insurance annuity benefits	892	793	-	-	925	831
Provision for losses on financing receivables	1,301	896	-	-	1,301	896
Other costs and expenses	10,201	9,174	3,526	3,415	6,783	5,853
Minority interest in net earnings of consolidated affiliates	217	216	179	167	38	49
Total costs and expenses	35,836	31,881	21,857	19,947	14,610	12,484
Earnings from continuing operations before income taxes	6,480	5,864	6,153	5,487	2,494	2,971
Provision for income taxes	(1,081)	(1,063)	(754)	(686)	(327)	(377)
Earnings from continuing operations	5,399	4,801	5,399	4,801	2,167	2,594
Earnings (loss) from discontinued operations, net of taxes	21	145	21	145	(1)	(2)
Net earnings	\$ 5,420	\$ 4,946	\$ 5,420	\$ 4,946	\$ 2,166	\$ 2,592
Per-share amounts						
Per-share amounts - earnings from continuing operations						
Diluted earnings per share	\$ 0.52	\$ 0.46				
Basic earnings per share	\$ 0.53	\$ 0.46				

Per-share amounts - net earnings

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Diluted earnings per share	\$	0.53	\$	0.48
Basic earnings per share	\$	0.53	\$	0.48
Dividends declared per share	\$	0.28	\$	0.25

See notes to condensed, consolidated financial statements. Separate information is shown for “GE” and “Financial Services (GECS).” Transactions between GE and GECS have been eliminated from the “Consolidated” columns.

(3)

Condensed Statement of Earnings
General Electric Company and consolidated affiliates

Six months ended June 30 (Unaudited)

<i>(In millions; per-share amounts in dollars)</i>	Consolidated		GE		Financial Services (GECS)	
	2007	2006	2007	2006	2007	2006
Sales of goods	\$ 27,503	\$ 26,549	\$ 27,604	\$ 25,509	\$ 60	\$ 1,267
Sales of services	17,706	17,322	17,996	17,515	-	-
Other income	1,934	1,094	2,087	1,160	-	-
GECS earnings from continuing operations	-	-	5,192	4,999	-	-
GECS revenues from services	33,803	28,588	-	-	34,378	29,077
Total revenues	80,946	73,553	52,879	49,183	34,438	30,344
Cost of goods sold	22,160	20,951	22,273	20,006	48	1,172
Cost of services sold	10,870	11,321	11,160	11,514	-	-
Interest and other financial charges	11,375	8,793	955	788	10,864	8,290
Investment contracts, insurance losses and insurance annuity benefits	1,752	1,542	-	-	1,855	1,636
Provision for losses on financing receivables	2,475	1,718	-	-	2,475	1,718
Other costs and expenses	19,999	17,964	6,953	6,564	13,227	11,576
Minority interest in net earnings of consolidated affiliates	439	435	308	311	131	124
Total costs and expenses	69,070	62,724	41,649	39,183	28,600	24,516
Earnings from continuing operations before income taxes	11,876	10,829	11,230	10,000	5,838	5,828
Provision for income taxes	(2,010)	(2,015)	(1,364)	(1,186)	(646)	(829)
Earnings from continuing operations	9,866	8,814	9,866	8,814	5,192	4,999
Earnings (loss) from discontinued operations, net of taxes	62	572	62	572	(3)	261
Net earnings	\$ 9,928	\$ 9,386	\$ 9,928	\$ 9,386	\$ 5,189	\$ 5,260
Per-share amounts						
Per-share amounts - earnings from continuing operations						
Diluted earnings per share	\$ 0.96	\$ 0.84				
Basic earnings per share	\$ 0.96	\$ 0.85				
Per-share amounts - net earnings						
Diluted earnings per share	\$ 0.96	\$ 0.90				
Basic earnings per share	\$ 0.97	\$ 0.90				
Dividends declared per share	\$ 0.56	\$ 0.50				

See notes to condensed, consolidated financial statements. Separate information is shown for “GE” and “Financial Services (GECS).” Transactions between GE and GECS have been eliminated from the “Consolidated” columns.

(4)

Condensed Statement of Financial Position
General Electric Company and consolidated affiliates

<i>(In millions; except share amounts)</i>	Consolidated		GE		Financial Services (GECS)	
	6/30/07	12/31/06	6/30/07	12/31/06	6/30/07	12/31/06
Cash and equivalents	\$ 15,850	\$ 14,275	\$ 2,093	\$ 4,480	\$ 14,066	\$ 12,629
Investment securities	45,131	47,826	409	342	44,730	47,492
Current receivables	12,734	13,449	13,147	13,773	-	-
Inventories	12,547	9,954	12,492	9,900	55	54
Financing receivables - net	350,042	334,205	-	-	350,070	334,232
Other GECS receivables	16,412	17,067	-	-	21,616	21,853
Property, plant and equipment (including equipment leased to others) - net	76,390	70,903	13,420	12,675	62,970	58,228
Investment in GECS	-	-	55,064	54,097	-	-
Intangible assets - net	92,543	84,352	64,362	58,384	28,181	25,968
All other assets	107,835	96,530	36,422	33,496	72,336	64,212
Assets of discontinued operations	9,049	8,678	9,049	8,678	-	-
Total assets	\$ 738,533	\$ 697,239	\$ 206,458	\$ 195,825	\$ 594,024	\$ 564,668
Short-term borrowings	\$ 184,351	\$ 172,017	\$ 3,726	\$ 2,076	\$ 181,457	\$ 173,316
Accounts payable, principally trade accounts	19,314	20,753	10,807	10,969	12,837	13,923
Progress collections and price adjustments accrued	7,332	5,248	7,332	5,248	-	-
Other GE current liabilities	19,599	20,822	19,599	20,822	-	-
Long-term borrowings	282,790	260,762	9,091	9,043	274,992	252,963
Investment contracts, insurance liabilities and insurance annuity benefits	34,596	34,499	-	-	34,977	34,807
All other liabilities	51,648	46,505	28,376	25,681	23,321	20,935
Deferred income taxes	12,670	14,210	2,732	1,993	9,938	12,217
Liabilities of discontinued operations	2,019	2,610	1,627	2,135	392	455
Total liabilities	614,319	577,426	83,290	77,967	537,914	508,616
Minority interest in equity of consolidated affiliates	7,191	7,499	6,145	5,544	1,046	1,955
Common stock (10,246,177,000 and 10,277,373,000 shares outstanding at June 30, 2007 and December 31, 2006, respectively)	669	669	669	669	1	1
Accumulated gains (losses) - net						
Investment securities	449	1,608	449	1,608	395	1,594
Currency translation adjustments	7,925	6,181	7,925	6,181	5,952	4,837
Cash flow hedges	600	(129)	600	(129)	561	(171)
Benefit plans	(3,886)	(4,406)	(3,886)	(4,406)	(264)	(278)

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Other capital	25,791	25,486	25,791	25,486	12,534	12,537
Retained earnings	111,819	107,798	111,819	107,798	35,885	35,577
Less common stock held in treasury	(26,344)	(24,893)	(26,344)	(24,893)	-	-
Total shareowners' equity	117,023	112,314	117,023	112,314	55,064	54,097
Total liabilities and equity	\$ 738,533	\$ 697,239	\$ 206,458	\$ 195,825	\$ 594,024	\$ 564,668

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, cash flow hedges and benefit plans constitutes "Accumulated nonowner changes other than earnings," and was \$5,088 million and \$3,254 million at June 30, 2007, and December 31, 2006, respectively.

See notes to condensed, consolidated financial statements. Separate information is shown for "GE" and "Financial Services (GECS)." June 30, 2007, data are unaudited. Transactions between GE and GECS have been eliminated from the "Consolidated" columns.

(5)

Condensed Statement of Cash Flows
General Electric Company and consolidated affiliates

Six months ended June 30 (Unaudited)

<i>(In millions)</i>	Consolidated		GE		Financial Services (GECS)	
	2007	2006	2007	2006	2007	2006
Cash flows - operating activities						
Net earnings	\$ 9,928	\$ 9,386	\$ 9,928	\$ 9,386	\$ 5,189	\$ 5,260
Loss (earnings) from discontinued operations	(62)	(572)	(65)	(311)	3	(261)
Adjustments to reconcile net earnings to cash provided from operating activities						
Depreciation and amortization of property, plant and equipment	4,864	4,051	994	973	3,870	3,078
Net earnings retained by GECS	-	-	(557)	2,330	-	-
Deferred income taxes	361	371	87	31	274	340
Decrease in GE current receivables	615	1,168	1,606	2,929	-	-
Decrease (increase) in inventories	(1,362)	(1,374)	(1,372)	(1,368)	10	(6)
Increase (decrease) in accounts payable	(598)	(1,859)	(573)	(867)	244	(373)
Increase in GE progress collections	1,601	246	1,601	246	-	-
Provision for losses on GECS financing receivables	2,475	1,718	-	-	2,475	1,718
All other operating activities	681	(1,419)	(90)	477	795	(974)
Cash from operating activities - continuing operations	18,503	11,716	11,559	13,826	12,860	8,782
Cash from (used for) operating activities - discontinued operations	(71)	488	(54)	497	(17)	(9)
Cash from operating activities	18,432	12,204	11,505	14,323	12,843	8,773
Cash flows - investing activities						
Additions to property, plant and equipment	(8,950)	(6,997)	(1,569)	(1,230)	(7,498)	(5,887)
Dispositions of property, plant and equipment	4,805	2,896	-	-	4,805	2,896
Net increase in GECS financing receivables	(10,835)	(13,836)	-	-	(11,798)	(15,483)
Payments for principal businesses purchased	(13,185)	(6,941)	(7,356)	(3,432)	(5,829)	(3,509)
Proceeds from sales of discontinued operations	-	8,112	-	-	-	8,112
Proceeds from principal business dispositions	2,114	649	1,012	649	1,102	-
All other investing activities	(4,162)	(15)	(622)	1,156	(3,584)	(2,481)
Cash used for investing activities - continuing operations	(30,213)	(16,132)	(8,535)	(2,857)	(22,802)	(16,352)
	195	(3,286)	178	(728)	17	(2,558)

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Cash from (used for) investing activities - discontinued operations						
Cash used for investing activities	(30,018)	(19,418)	(8,357)	(3,585)	(22,785)	(18,910)
Cash flows - financing activities						
Net increase (decrease) in borrowings (maturities of 90 days or less)	(6,694)	(3,543)	(2,805)	330	(6,623)	(4,127)
Newly issued debt (maturities longer than 90 days)	52,364	44,178	4,679	64	47,734	43,974
Repayments and other reductions (maturities longer than 90 days)	(24,645)	(21,935)	(125)	(148)	(24,520)	(21,787)
Net purchases of GE treasury shares	(1,392)	(6,217)	(1,392)	(6,217)	-	-
Dividends paid to shareowners	(5,768)	(5,247)	(5,768)	(5,247)	(4,632)	(7,590)
All other financing activities	(580)	(546)	-	-	(580)	(546)
Cash from (used for) financing activities - continuing operations	13,285	6,690	(5,411)	(11,218)	11,379	9,924
Cash from (used for) financing activities - discontinued operations	(124)	(25)	(124)	231	-	(256)
Cash from (used for) financing activities	13,161	6,665	(5,535)	(10,987)	11,379	9,668
Increase (decrease) in cash and equivalents	1,575	(549)	(2,387)	(249)	1,437	(469)
Cash and equivalents at beginning of year	14,275	11,801	4,480	2,015	12,629	10,106
Cash and equivalents at June 30	15,850	11,252	2,093	1,766	14,066	9,637
Less cash and equivalents of discontinued operations at June 30	-	153	-	-	-	153
Cash and equivalents of continuing operations at June 30	\$ 15,850	\$ 11,099	\$ 2,093	\$ 1,766	\$ 14,066	\$ 9,484

See notes to condensed, consolidated financial statements. Separate information is shown for “GE” and “Financial Services (GECS).” Transactions between GE and GECS have been eliminated from the “Consolidated” columns.

(6)

Summary of Operating Segments
General Electric Company and consolidated affiliates

<i>(In millions)</i>	Three months ended		Six months ended	
	June 30 (Unaudited)		June 30 (Unaudited)	
	2007	2006	2007	2006
Revenues				
Infrastructure	\$ 13,913	\$ 11,332	\$ 25,896	\$ 21,484
Commercial Finance	6,383	5,527	12,666	11,011
GE Money	6,145	5,268	11,952	10,358
Healthcare	4,127	4,156	7,768	7,815
NBC Universal	3,625	3,858	7,109	8,340
Industrial	6,220	6,473	12,048	12,384
Total segment revenues	40,413	36,614	77,439	71,392
Corporate items and eliminations	1,903	1,131	3,507	2,161
Consolidated revenues	\$ 42,316	\$ 37,745	\$ 80,946	\$ 73,553
Segment profit (a)				
Infrastructure	\$ 2,589	\$ 2,107	\$ 4,772	\$ 3,810
Commercial Finance	1,250	1,057	2,671	2,231
GE Money	952	880	1,803	1,716
Healthcare	731	795	1,251	1,291
NBC Universal	904	882	1,595	1,536
Industrial	482	478	841	813
Total segment profit	6,908	6,199	12,933	11,397
Corporate items and eliminations	(333)	(273)	(748)	(609)
GE interest and other financial charges	(422)	(439)	(955)	(788)
GE provision for income taxes	(754)	(686)	(1,364)	(1,186)
Earnings from continuing operations	5,399	4,801	9,866	8,814
Earnings from discontinued operations, net of taxes	21	145	62	572
Consolidated net earnings	\$ 5,420	\$ 4,946	\$ 9,928	\$ 9,386

(a) Segment profit always excludes the effects of principal pension plans, results reported as discontinued operations and accounting changes, and 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 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 also refer to as "operating profit," for Healthcare, NBC Universal and the industrial businesses of the Infrastructure and Industrial segments; included in determining segment profit, which we also refer to as "net earnings," for Commercial Finance, GE Money, and the financial services businesses of the Infrastructure segment (Aviation Financial Services, Energy Financial Services and Transportation Finance) and the Industrial segment (Equipment Services).

(7)

Notes to Condensed, Consolidated Financial Statements (Unaudited)

1. The accompanying condensed, consolidated financial statements represent the consolidation of General Electric Company and all companies that we directly or indirectly control, either through majority ownership or otherwise. See note 1 to the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2006. That note discusses consolidation and financial statement presentation. As used in this report on Form 10-Q (Report) and in the Annual Report on Form 10-K, "GE" represents the adding together of all affiliated companies except General Electric Capital Services, Inc. (GECS or financial services), which is presented on a one-line basis; GECS consists of General Electric Capital Services, Inc. and all of its affiliates; and "Consolidated" represents the adding together of GE and GECS with the effects of transactions between the two eliminated. We have reclassified certain prior-period amounts to conform to the current-period's presentation. Unless otherwise indicated, information in these notes to condensed, consolidated financial statements relates to continuing operations.

2. The condensed, consolidated financial statements and notes thereto are unaudited. These statements include all adjustments (consisting of normal recurring accruals) that we considered necessary to present a fair statement of our results of operations, financial position and cash flows. The results reported in these condensed, consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. We label our quarterly information using a calendar convention, that is, first quarter is labeled as ending on March 31, second quarter as ending on June 30, and third quarter as ending on September 30. It is our longstanding practice to establish interim quarterly closing dates using a fiscal calendar, which requires our businesses to close their books on either a Saturday or Sunday, depending on the business. The effects of this practice are modest and only exist within a reporting year. The fiscal closing calendar from 1993 through 2013 is available on our website, www.ge.com/secreports.

3. In May 2007, we signed a definitive agreement to sell our Plastics business to Saudi Basic Industries Corporation. We presently expect this transaction to close in the third quarter of 2007, subject to customary closing conditions, including receipt of regulatory approvals. In the second quarter 2007, we reported results of operations, financial position and cash flows of both our Plastics business and the related Advanced Materials business, which we sold in the fourth quarter 2006, as discontinued operations for all periods presented. Both businesses were previously reported in the Industrial segment.

In 2006, we substantially completed our planned exit of our 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). Also during 2006, we completed the sale 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, through a secondary public offering. Results of these businesses are reported as discontinued operations for all periods presented.

Revenues from discontinued insurance operations for the second quarter and first six months of 2006 were \$1,337 million and \$3,682 million, respectively. Earnings from such discontinued operations for the second quarter and first six months of 2006 were \$162 million (\$203 million pre tax) and \$300 million (\$382 million pre tax), respectively. Loss on disposal for the second quarter and first six months of 2006 was \$164 million (\$295 million pre tax) and \$39 million (\$11 million pre-tax gain), respectively. Revenues and earnings from discontinued insurance operations for the second quarter and first six months of 2007 were insignificant. Accrued liabilities associated with discontinued insurance operations, primarily tax related, amounted to \$392 million as of June 30, 2007.

Financial information for discontinued Plastics and Advanced Materials operations is shown below.

<i>(In millions)</i>	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Operations				
Total revenues	\$ 1,683	\$ 2,303	\$ 3,272	\$ 4,524
Earnings from discontinued operations before income taxes	149	184	206	393
Income tax benefit (expense)	(4)	(37)	9	(82)
Earnings from discontinued operations before disposal, net of taxes	\$ 145	\$ 147	\$ 215	\$ 311
Disposal				
Loss on disposal before income taxes(a)	\$ (156)	\$ -	\$ (191)	\$ -
Income tax benefit	33	-	41	-
Loss on disposal, net of taxes	\$ (123)	\$ -	\$ (150)	\$ -
Earnings from discontinued operations, net of taxes	\$ 22	\$ 147	\$ 65	\$ 311

(a) Principally postretirement benefit plan curtailments.

(9)

<i>(In millions)</i>	At	
	6/30/07	12/31/06
Assets		
Inventories	\$ 1,709	\$ 1,447
Property, plant and equipment (including equipment leased to others) - net	4,143	4,063
Intangible assets - net	2,080	2,081
Other	1,117	1,087
Assets of discontinued operations	\$ 9,049	\$ 8,678

<i>(In millions)</i>	At	
	6/30/07	12/31/06
Liabilities		
Accounts payable, principally trade accounts	\$ 851	\$ 944
Other GE current liabilities	497	594
Other	279	597
Liabilities of discontinued operations	\$ 1,627	\$ 2,135

4. GECS revenues from services are summarized in the following table.

<i>(In millions)</i>	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Interest on loans	\$ 6,176	\$ 5,627	\$ 12,222	\$ 10,969
Equipment leased to others	3,690	3,152	7,453	6,067
Financing leases	1,215	1,025	2,353	2,027
Fees	1,317	1,009	2,510	2,016
Real estate investments	967	674	2,056	1,342
Investment income(a)	683	566	2,124	1,226
Premiums earned by insurance activities	519	485	1,070	976
Associated companies	590	484	1,015	929
Gross securitization gains	547	266	1,118	534
Other items	1,372	1,455	2,457	2,991
Total	\$ 17,076	\$ 14,743	\$ 34,378	\$ 29,077

(a) Included gain on sale of common stock in Swiss Re of \$558 million during first quarter of 2007.

5. We sponsor a number of pension and retiree health and life insurance benefit plans. Principal pension plans include the GE Pension Plan and the GE Supplementary Pension Plan. Principal retiree benefit plans generally provide health and life insurance benefits to employees who retire under the GE Pension Plan with 10 or more years of service. Other pension plans include U.S. and non-U.S. pension plans with pension assets or obligations greater than \$50 million. Smaller pension plans and other retiree benefit plans are not material individually or in the aggregate. The effect on operations of the pension plans follows.

<i>(In millions)</i>	Principal Pension Plans			
	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Expected return on plan assets	\$ (987)	\$ (953)	\$ (1,973)	\$ (1,905)
Service cost for benefits earned	306	323	620	689
Interest cost on benefit obligation	606	573	1,211	1,152
Prior service cost	72	57	119	115
Net actuarial loss recognized	175	181	351	369
Cost of principal pension plans	\$ 172	\$ 181	\$ 328	\$ 420

<i>(In millions)</i>	Other Pension Plans			
	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Expected return on plan assets	\$ (122)	\$ (99)	\$ (242)	\$ (197)
Service cost for benefits earned	86	83	172	166
Interest cost on benefit obligation	113	94	223	187
Prior service cost	2	1	3	2
Net actuarial loss recognized	42	39	83	78
Cost of other pension plans	\$ 121	\$ 118	\$ 239	\$ 236

The effect on operations of principal retiree health and life insurance plans follows.

<i>(In millions)</i>	Principal Retiree Health and Life Insurance Plans			
	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
Expected return on plan assets	\$ (31)	\$ (32)	\$ (62)	\$ (64)
Service cost for benefits earned	36	54	76	108
Interest cost on benefit obligation	112	114	225	228
Prior service cost	162	72	233	146
Net actuarial loss (gain) recognized	(17)	18	(15)	36
Cost of principal retiree benefit plans	\$ 262	\$ 226	\$ 457	\$ 454

(11)

6. On January 1, 2007, as disclosed in our March 31, 2007, Quarterly Report on Form 10-Q, we made required changes in certain aspects of our accounting for income taxes. The January 1, 2007, transition reduced our retained earnings by \$126 million; of this total, \$89 million was a decrease in goodwill and \$77 million was a decrease in financing receivables – net, partially offset by a \$40 million decrease in income tax liabilities.

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

<i>(In millions)</i>	At	
	6/30/07	1/1/07
Unrecognized tax benefits	\$ 6,649	\$ 6,806
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	4,359	4,302
Accrued interest on unrecognized tax benefits	1,061	1,281
Accrued penalties on unrecognized tax benefits	86	121
Reasonably possible reduction to the balance of unrecognized tax benefits in succeeding 12 months	0-2,000	0-1,900
Portion that, if recognized, would reduce tax expense and effective tax rate(a)	0-1,300	0-900

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

We classify interest on tax deficiencies as interest expense; we classify income tax penalties as provision for income taxes. The change in unrecognized tax benefits in 2007 resulted primarily from completion of the 2000-2002 IRS audit and other audit activity in the second quarter and is reflected in increases to unrecognized tax benefits for prior periods of \$830 million, decreases to unrecognized tax benefits for prior periods of \$769 million, and decreases from settlements with tax authorities agreeing to tax of \$289 million.

During the second quarter of 2007, the IRS completed its audit of our 2000-2002 tax years and is currently auditing our consolidated income tax returns for 2003-2005. In addition, certain other U.S. tax deficiency issues and refund claims for previous years remain unresolved. It is reasonably possible that the 2003-2005 U.S. audit cycle will be completed during the next 12 months. We believe that there are no other jurisdictions in which the outcome of unresolved issues or claims is likely to be material to our results of operations, financial position or cash flows. We further believe that we have made adequate provision for this and all other income tax uncertainties.

(12)

7. GE's authorized common stock consists of 13,200,000,000 shares having a par value of \$0.06 each. Information related to the calculation of earnings per share follows.

<i>(In millions; per-share amounts in dollars)</i>	Three months ended June 30			
	2007		2006	
	Diluted	Basic	Diluted	Basic
Consolidated				
Earnings from continuing operations for per-share calculation(a)	\$ 5,400	\$ 5,399	\$ 4,801	\$ 4,801
Earnings from discontinued operations for per-share calculation	\$ 21	\$ 21	\$ 145	\$ 145
Net earnings available for per-share calculation	\$ 5,421	\$ 5,420	\$ 4,946	\$ 4,946
Average equivalent shares				
Shares of GE common stock outstanding	10,268	10,268	10,362	10,362
Employee compensation-related shares, including stock options	35	-	38	-
Total average equivalent shares	10,303	10,268	10,400	10,362
Per-share amounts				
Earnings from continuing operations	\$ 0.52	\$ 0.53	\$ 0.46	\$ 0.46
Earnings from discontinued operations	\$ -	\$ -	\$ 0.01	\$ 0.01
Net earnings	\$ 0.53	\$ 0.53	\$ 0.48	\$ 0.48

<i>(In millions; per-share amounts in dollars)</i>	Six months ended June 30			
	2007		2006	
	Diluted	Basic	Diluted	Basic
Consolidated				
Earnings from continuing operations for per-share calculation(a)	\$ 9,867	\$ 9,866	\$ 8,815	\$ 8,814
Earnings from discontinued operations for per-share calculation	\$ 62	\$ 62	\$ 572	\$ 572
Net earnings available for per-share calculation	\$ 9,929	\$ 9,928	\$ 9,386	\$ 9,386
Average equivalent shares				
Shares of GE common stock outstanding	10,272	10,272	10,403	10,403
Employee compensation-related shares, including stock options	34	-	38	-
Total average equivalent shares	10,306	10,272	10,441	10,403
Per-share amounts				
Earnings from continuing operations	\$ 0.96	\$ 0.96	\$ 0.84	\$ 0.85
Earnings from discontinued operations	\$ 0.01	\$ 0.01	\$ 0.05	\$ 0.05
Net earnings	\$ 0.96	\$ 0.97	\$ 0.90	\$ 0.90

(a) Including dividend equivalents.

(13)

Earnings-per-share amounts are computed independently for earnings from continuing operations, earnings from discontinued operations and net earnings. As a result, the sums of per-share amounts from continuing and discontinued operations may not equal the related total net earnings per-share.

8. Inventories consisted of the following.

<i>(In millions)</i>	At	
	6/30/07	12/31/06
Raw materials and work in process	\$ 7,293	\$ 5,819
Finished goods	5,318	4,290
Unbilled shipments	511	409
	13,122	10,518
Less revaluation to LIFO	(575)	(564)
Total	\$ 12,547	\$ 9,954

9. GECS financing receivables – net, consisted of the following.