

GENERAL ELECTRIC CO
Form 10-Q/A
January 19, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**FORM 10-Q/A
Amendment No. 1 to 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, 2006

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 10,323,359,000 shares of common stock with a par value of \$0.06 per share outstanding at June 30, 2006.

(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 "expects," "anticipates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements of this nature address matters that are, to different degrees, uncertain. For us, particular uncertainties which could adversely or positively affect our future results include: the behavior of financial markets, including fluctuations in interest rates and commodity prices; strategic actions, including 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; unanticipated loss development in our insurance businesses; and numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory 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.

Explanatory Note

Overview

General Electric Company (GE) is filing this amendment to its Quarterly Reports on Form 10-Q for the period ended June 30, 2006, to amend and restate financial statements and other financial information for the three and six months ended June 30, 2006 and 2005. The restatement adjusts our accounting for interest rate swap transactions related to a portion of the commercial paper issued by General Electric Capital Corporation (GECC) and General Electric Capital Services, Inc. (GECS), each a wholly-owned subsidiaries of GE, from January 1, 2001, the date we adopted Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The restatement has no effect on our cash flows or liquidity, and its effects on our financial position at the ends of the respective restated periods are immaterial. We have not found that any of our hedge positions were inconsistent with our risk management policies or economic objectives.

For the three and six months ended June 30, 2006 and 2005, this non-cash restatement had the following earnings effects:

(In millions)	Effects of Correction			
	Three months ended		Six months ended	
	June 30	2005	June 30	2005
Increase (decrease) in earnings from continuing operations	\$ 94	\$ (139)	\$ 229	\$ 86

Background

As previously disclosed, the Boston Office of the U.S. Securities and Exchange Commission (SEC) is conducting a formal investigation of our application of SFAS 133. In the course of that investigation, the SEC Enforcement staff raised certain concerns about our accounting for the use of interest rate swaps to fix certain otherwise variable interest costs in a portion of our commercial paper program at GECC and GECS. The SEC Enforcement staff referred such concerns to the Office of Chief Accountant. We and our auditors determined that our accounting for the commercial paper hedging program satisfied the requirements of SFAS 133 and conveyed our views to the staff of the Office of Chief Accountant. Following our discussions, however, the Office of Chief Accountant communicated its view to us that our commercial paper hedging program as structured did not meet the SFAS 133 specificity requirement.

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After considering the staff's view, management recommended to the Audit Committee of our Board of Directors that previously reported financial results be restated to eliminate hedge accounting for the interest rate swaps entered into as part of our commercial paper hedging program from January 1, 2001. The Audit Committee discussed and agreed with this recommendation. At a meeting on January 18, 2007, the Board of Directors adopted the recommendation of the Audit Committee and determined that previously reported results for GE should be restated and, therefore, that the previously filed financial statements and other financial information referred to above should not be relied upon. The restatement resulted from a material weakness in internal control over financial reporting, namely, that we did not have adequately designed procedures to designate, with the specificity required under SFAS 133, each hedged commercial paper transaction.

As of January 1, 2007, we modified our commercial paper hedging program and adopted documentation for interest rate swaps that we believe complies with the requirements of SFAS 133 and remediated the related internal control weakness.

The SEC investigation into our application of SFAS 133 and hedge accounting is continuing. We continue to cooperate fully.

Amendment to this Form 10-Q

The following sections of this Form 10-Q have been revised to reflect the restatement: Part I - Item 1 - Financial Statements, - Item 2 - Management's Discussion and Analysis of Results of Financial Condition and Operations, and - Item 4 - Controls and Procedures; and Part II - Item 6 - Exhibits are revised in this filing to reflect the restatement. Except to the extent relating to the restatement of our financial statements and other financial information described above, the financial statements and other disclosure in this Form 10-Q do not reflect any events that have occurred after this Form 10-Q was initially filed on July 24, 2006.

Effects of Restatement

The following tables set forth the effects of the restatement relating to the aforementioned hedge accounting on affected line items within our previously reported Statements of Earnings for the three and six months ended June 30, 2006 and 2005. The restatement has no effect on our cash flows or liquidity, and its effects on our financial position at the ends of the respective restated periods are immaterial.

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Effects on Statements of Earnings

<i>Income (expense)</i> <i>(In millions; per share amounts in dollars)</i>	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Consolidated				
Commercial paper interest rate swap adjustment (note 1) ^(a)	\$ 148	\$ (239)	\$ 356	\$ 119
Interest and other financial charges	6	11	19	23
Earnings from continuing operations before income taxes	154	(228)	375	142
Provision for income taxes	(60)	89	(146)	(56)
Earnings from continuing operations	94	(139)	229	86
Net earnings	94	(139)	229	86

(a) Included in total revenues.

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Per share amounts - earnings from continuing operations				
Diluted, as reported	\$ 0.47	\$ 0.41	\$ 0.85	\$ 0.75
Adjustment	0.01	(0.01)	0.02	-
Diluted, as restated	\$ 0.48	\$ 0.40	\$ 0.87	\$ 0.75
Basic, as reported	\$ 0.47	\$ 0.41	\$ 0.86	\$ 0.75
Adjustment	0.01	(0.01)	0.02	0.01
Basic, as restated	\$ 0.48	\$ 0.40	\$ 0.88	\$ 0.76
Per share amounts - net earnings				
Diluted, as reported	\$ 0.47	\$ 0.44	\$ 0.88	\$ 0.81
Adjustment	0.01	(0.02)	0.02	0.01
Diluted, as restated	\$ 0.48	\$ 0.42	\$ 0.90	\$ 0.82
Basic, as reported	\$ 0.47	\$ 0.44	\$ 0.88	\$ 0.81
Adjustment	0.01	(0.01)	0.02	0.01
Basic, as restated	\$ 0.48	\$ 0.43	\$ 0.90	\$ 0.82

(5)

<i>Income (expense)</i> <i>(In millions; per share amounts in dollars)</i>	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
GECS				
Commercial paper interest rate swap adjustment (note 1) ^(a)	\$ 148	\$ (239)	\$ 356	\$ 119
Interest and other financial charges	6	11	19	23
Earnings from continuing operations before income taxes	154	(228)	375	142
Provision for income taxes	(60)	89	(146)	(56)
Earnings from continuing operations	94	(139)	229	86
Net earnings	94	(139)	229	86

(a) Included in total revenues.

For additional information relating to the effect of the restatement, see the following items:

Part I

Item 1 - Financial Statements

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 4 - Controls and Procedures

Part II:

Item 6 - Exhibits

In light of the restatement, readers should not rely on our previously filed financial statements and other financial information for the three and six months ended June 30, 2006 and 2005.

(6)

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)	
	2006 (Restated)	2005 (Restated)	2006 (Restated)	2005 (Restated)	2006 (Restated)	2005 (Restated)
Sales of goods	\$ 16,524	\$ 14,749	\$ 15,993	\$ 14,101	\$ 712	\$ 664
Sales of services	8,373	8,240	8,455	8,307	-	-
Other income	657	596	695	624	-	-
GECS earnings from continuing operations	-	-	2,594	1,889	-	-
GECS revenues from services	14,346	12,954	-	-	14,595	13,297
GECS commercial paper interest rate swap adjustment	148	(239)	-	-	148	(239)
Total revenues	40,048	36,300	27,737	24,921	15,455	13,722
Cost of goods sold	12,827	11,425	12,350	10,812	659	628
Cost of services sold	5,316	5,171	5,397	5,238	-	-
Interest and other financial charges	4,527	3,775	486	336	4,196	3,592
Investment contracts, insurance losses and insurance annuity benefits	793	799	-	-	831	850
Provision for losses on financing receivables	896	958	-	-	896	958
Other costs and expenses	9,406	8,741	3,647	3,266	5,853	5,643
Minority interest in net earnings of consolidated affiliates	235	290	186	249	49	41
Total costs and expenses	34,000	31,159	22,066	19,901	12,484	11,712
Earnings from continuing operations before income taxes	6,048	5,141	5,671	5,020	2,971	2,010
Provision for income taxes	(1,100)	(904)	(723)	(783)	(377)	(121)
Earnings from continuing operations	4,948	4,237	4,948	4,237	2,594	1,889
Earnings (loss) from discontinued operations, net of taxes	(2)	271	(2)	271	(2)	271
Net earnings	\$ 4,946	\$ 4,508	\$ 4,946	\$ 4,508	\$ 2,592	\$ 2,160

Per-share amounts

Per-share amounts - earnings from

continuing operations			
Diluted earnings per share	\$	0.48	\$ 0.40
Basic earnings per share	\$	0.48	\$ 0.40

Per-share amounts - net earnings			
Diluted earnings per share	\$	0.48	\$ 0.42
Basic earnings per share	\$	0.48	\$ 0.43

Dividends declared per share	\$	0.25	\$ 0.22
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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.

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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)	
	2006 (Restated)	2005 (Restated)	2006 (Restated)	2005 (Restated)	2006 (Restated)	2005 (Restated)
Sales of goods	\$ 31,059	\$ 28,405	\$ 30,019	\$ 27,089	\$ 1,267	\$ 1,338
Sales of services	17,322	15,989	17,515	16,152	-	-
Other income	1,108	913	1,174	954	-	-
GECS earnings from continuing operations	-	-	4,999	3,977	-	-
GECS revenues from services	28,232	25,582	-	-	28,721	26,228
GECS commercial paper interest rate swap adjustment	356	119	-	-	356	119
Total revenues	78,077	71,008	53,707	48,172	30,344	27,685
Cost of goods sold	24,483	22,031	23,538	20,789	1,172	1,263
Cost of services sold	11,321	10,107	11,514	10,270	-	-
Interest and other financial charges	8,875	7,434	870	717	8,290	6,994
Investment contracts, insurance losses and insurance annuity benefits	1,542	1,626	-	-	1,636	1,716
Provision for losses on financing receivables	1,718	1,860	-	-	1,718	1,860
Other costs and expenses	18,443	17,589	7,043	6,577	11,576	11,333
Minority interest in net earnings of consolidated affiliates	473	506	349	435	124	71
Total costs and expenses	66,855	61,153	43,314	38,788	24,516	23,237
Earnings from continuing operations before income taxes	11,222	9,855	10,393	9,384	5,828	4,448
Provision for income taxes	(2,097)	(1,833)	(1,268)	(1,362)	(829)	(471)
Earnings from continuing operations	9,125	8,022	9,125	8,022	4,999	3,977
Earnings from discontinued operations, net of taxes	261	676	261	676	261	676
Net earnings	\$ 9,386	\$ 8,698	\$ 9,386	\$ 8,698	\$ 5,260	\$ 4,653
Per-share amounts						
Per-share amounts - earnings from continuing operations						
Diluted earnings per share	\$ 0.87	\$ 0.75				
Basic earnings per share	\$ 0.88	\$ 0.76				
Per-share amounts - net earnings						
Diluted earnings per share	\$ 0.90	\$ 0.82				
Basic earnings per share	\$ 0.90	\$ 0.82				

Dividends declared per share \$ 0.50 \$ 0.44

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.

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Condensed Statement of Financial Position
General Electric Company and consolidated affiliates

	Consolidated		GE		Financial Services (GECS)	
	6/30/06	12/31/05	6/30/06	12/31/05	6/30/06	12/31/05
<i>(In millions; except share amounts)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>
Cash and equivalents	\$ 11,099	\$ 8,825	\$ 1,766	\$ 2,015	\$ 9,484	\$ 7,130
Investment securities	45,021	42,148	469	461	44,559	41,710
Current receivables	12,043	14,851	12,255	15,058	-	-
Inventories	11,744	10,474	11,579	10,315	165	159
Financing receivables - net	303,899	287,639	-	-	303,899	287,639
Other GECS receivables	15,732	14,332	-	-	20,282	18,625
Property, plant and equipment (including equipment leased to others) - net	71,005	67,528	16,724	16,504	54,281	51,024
Investment in GECS	-	-	48,608	50,812	-	-
Intangible assets - net	85,583	81,630	60,719	57,839	24,864	23,791
All other assets	91,221	84,828	36,641	36,752	55,702	49,440
Assets of discontinued operations	15,090	61,066	-	-	15,090	61,066
Total assets	\$ 662,437	\$ 673,321	\$ 188,761	\$ 189,756	\$ 528,326	\$ 540,584
Short-term borrowings	\$ 157,449	\$ 158,156	\$ 1,517	\$ 1,127	\$ 156,327	\$ 157,672
Accounts payable, principally trade accounts	19,446	21,183	10,577	11,870	12,848	13,043
Progress collections and price adjustments accrued	4,708	4,456	4,708	4,456	-	-
Other GE current liabilities	21,020	21,042	21,020	21,059	-	-
Long-term borrowings	236,935	212,281	9,090	9,081	229,033	204,397
Investment contracts, insurance liabilities and insurance annuity benefits	34,491	33,097	-	-	34,872	33,387
All other liabilities	40,933	39,966	23,328	23,273	17,702	16,787
Deferred income taxes	15,432	16,208	3,750	3,733	11,682	12,475
Liabilities of discontinued operations	14,957	49,527	-	-	14,959	49,763
Total liabilities	545,371	555,916	73,990	74,599	477,423	487,524
Minority interest in equity of consolidated affiliates	8,274	8,054	5,979	5,806	2,295	2,248
Common stock (10,323,359,000 and 10,484,268,000 shares outstanding at June 30, 2006 and December 31, 2005, respectively)	669	669	669	669	1	1
Accumulated gains (losses) - net						
Investment securities	453	1,831	453	1,831	381	1,754
Currency translation adjustments	4,267	2,532	4,267	2,532	3,435	2,287

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Cash flow hedges	27	(352)	27	(352)	23	(343)
Minimum pension liabilities	(917)	(874)	(917)	(874)	(192)	(179)
Other capital	25,482	25,227	25,482	25,227	12,524	12,386
Retained earnings	101,817	97,644	101,817	97,644	32,436	34,906
Less common stock held in treasury	(23,006)	(17,326)	(23,006)	(17,326)	-	-
Total shareowners' equity	108,792	109,351	108,792	109,351	48,608	50,812
Total liabilities and equity	\$ 662,437	\$ 673,321	\$ 188,761	\$ 189,756	\$ 528,326	\$ 540,584

The sum of accumulated gains (losses) on investment securities, currency translation adjustments, cash flow hedges and minimum pension liabilities constitutes "Accumulated nonowner changes other than earnings," and amounted to \$3,830 million and \$3,137 million at June 30, 2006, and December 31, 2005, respectively.

See notes to condensed, consolidated financial statements. Separate information is shown for "GE" and "Financial Services (GECS)." June 30, 2006, data are unaudited. Transactions between GE and GECS have been eliminated from the "Consolidated" columns.

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Condensed Statement of Cash Flows
General Electric Company and consolidated affiliates

Six months ended June 30 (Unaudited)

	Consolidated		GE		Financial Services (GECS)	
	2006 (Restated) ^(a)	2005 (Restated) ^(a)	2006 (Restated) ^(a)	2005 (Restated) ^(a)	2006 (Restated) ^(a)	2005 (Restated) ^(a)
<i>(In millions)</i>						
Cash flows - operating activities						
Net earnings	\$ 9,386	\$ 8,698	\$ 9,386	\$ 8,698	\$ 5,260	\$ 4,653
Earnings from discontinued operations	(261)	(676)	-	-	(261)	(676)
Adjustments to reconcile net earnings to cash provided from operating activities						
Depreciation and amortization of property, plant and equipment	4,378	4,266	1,300	1,225	3,078	3,041
Earnings retained by GECS	-	-	2,330	(2,814)	-	-
Deferred income taxes	395	(493)	55	(87)	340	(406)
Decrease in GE current receivables	2,931	1,544	2,925	1,663	-	-
Increase in inventories	(1,467)	(613)	(1,461)	(583)	(6)	(30)
Decrease in accounts payable	(1,537)	(1,401)	(915)	(1,228)	(373)	(71)
Increase in GE progress collections	246	110	246	110	-	-
Provision for losses on GECS financing receivables	1,718	1,860	-	-	1,718	1,860
All other operating activities	(3,576)	(34)	457	1,043	(974)	(525)
Cash from operating activities - continuing operations	12,213	13,261	14,323	8,027	8,782	7,846
Cash from (used for) operating activities - discontinued operations	(9)	2,407	-	-	(9)	2,407
Cash from operating activities	12,204	15,668	14,323	8,027	8,773	10,253
Cash flows - investing activities						
Additions to property, plant and equipment	(7,384)	(6,141)	(1,497)	(1,049)	(5,887)	(5,092)
Dispositions of property, plant and equipment	2,930	3,071	-	-	2,896	3,075
Net decrease (increase) in GECS financing receivables	(15,483)	4,249	-	-	(15,483)	4,249
Payments for principal businesses purchased	(7,000)	(10,341)	(3,491)	(3,499)	(3,509)	(6,842)
Proceeds from sales of discontinued operations	8,112	3,403	-	-	8,112	3,403
All other investing activities	1,965	(1,263)	1,403	687	(2,481)	(2,584)
Cash used for investing activities - continuing operations	(16,860)	(7,022)	(3,585)	(3,861)	(16,352)	(3,791)
Cash used for investing activities - discontinued operations	(2,558)	(1,131)	-	-	(2,558)	(1,131)

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Cash used for investing activities	(19,418)	(8,153)	(3,585)	(3,861)	(18,910)	(4,922)
Cash flows - financing activities						
Net increase (decrease) in borrowings (maturities of 90 days or less)	(3,312)	(5,667)	561	48	(4,127)	(5,801)
Newly issued debt (maturities longer than 90 days)	44,178					