

GENERAL ELECTRIC CO
Form 10-Q
October 31, 2006

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 September 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 Exchange Act).
Yes No

There were 10,308,102,000 shares of common stock with a par value of \$0.06 per share outstanding at September 30, 2006.

(1)

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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.

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

	Consolidated		GE		Financial Services (GECS)	
<i>(In millions; per-share amounts in dollars)</i>	2006	2005	2006	2005	2006	2005
Sales of goods	\$ 15,656	\$ 14,346	\$ 15,255	\$ 13,823	\$ 519	\$ 543
Sales of services	9,134	7,673	9,223	7,744	-	-
Other income	570	347	613	367	-	-
GECS earnings from continuing operations	-	-	2,704	2,600	-	-
GECS revenues from services	15,496	14,002	-	-	15,756	14,323
Total revenues	40,856	36,368	27,795	24,534	16,275	14,866
Cost of goods sold	12,705	11,247	12,343	10,764	480	505
Cost of services sold	5,763	4,754	5,852	4,825	-	-
Interest and other financial charges	5,143	3,715	507	339	4,802	3,508
Investment contracts, insurance losses and insurance annuity benefits	822	874	-	-	867	926
Provision for losses on financing receivables	965	1,095	-	-	965	1,095
Other costs and expenses	9,233	8,749	3,262	3,200	6,063	5,704
Minority interest in net earnings of consolidated affiliates	215	230	158	146	57	84
Total costs and expenses	34,846	30,664	22,122	19,274	13,234	11,822
Earnings from continuing operations before income taxes	6,010	5,704	5,673	5,260	3,041	3,044
Provision for income taxes	(951)	(1,112)	(614)	(668)	(337)	(444)
Earnings from continuing operations	5,059	4,592	5,059	4,592	2,704	2,600
Earnings (loss) from discontinued operations, net of taxes	(95)	85	(95)	85	(95)	85
Net earnings	\$ 4,964	\$ 4,677	\$ 4,964	\$ 4,677	\$ 2,609	\$ 2,685
Per-share amounts						
Per-share amounts - earnings from continuing operations						
Diluted earnings per share	\$ 0.49	\$ 0.43				

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Basic earnings per share	\$	0.49	\$	0.43
Per-share amounts - net earnings				
Diluted earnings per share	\$	0.48	\$	0.44
Basic earnings per share	\$	0.48	\$	0.44
Dividends declared per share	\$	0.25	\$	0.22

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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Table of Contents**Condensed Statement of Earnings
General Electric Company and consolidated affiliates****Nine months ended September 30 (Unaudited)**

	Consolidated		GE		Financial Services (GECS)	
	2006	2005	2006	2005	2006	2005
<i>(In millions; per-share amounts in dollars)</i>						
Sales of goods	\$ 46,715	\$ 42,751	\$ 45,274	\$ 40,912	\$ 1,786	\$ 1,881
Sales of services	26,456	23,662	26,738	23,896	-	-
Other income	1,678	1,260	1,787	1,321	-	-
GECS earnings from continuing operations	-	-	7,474	6,491	-	-
GECS revenues from services	43,728	39,584	-	-	44,477	40,551
Total revenues	118,577	107,257	81,273	72,620	46,263	42,432
Cost of goods sold	37,188	33,278	35,881	31,553	1,652	1,768
Cost of services sold	17,084	14,861	17,366	15,095	-	-
Interest and other financial charges	14,037	11,172	1,377	1,056	13,111	10,525
Investment contracts, insurance losses and insurance annuity benefits	2,364	2,500	-	-	2,503	2,642
Provision for losses on financing receivables	2,683	2,955	-	-	2,683	2,955
Other costs and expenses	27,676	26,338	10,305	9,777	17,639	17,037
Minority interest in net earnings of consolidated affiliates	688	736	507	581	181	155
Total costs and expenses	101,720	91,840	65,436	58,062	37,769	35,082
Earnings from continuing operations before income taxes	16,857	15,417	15,837	14,558	8,494	7,350
Provision for income taxes	(2,902)	(2,889)	(1,882)	(2,030)	(1,020)	(859)
Earnings from continuing operations	13,955	12,528	13,955	12,528	7,474	6,491
Earnings from discontinued operations, net of taxes	166	761	166	761	166	761
Net earnings	\$ 14,121	\$ 13,289	\$ 14,121	\$ 13,289	\$ 7,640	\$ 7,252
Per-share amounts						
Per-share amounts - earnings from continuing operations						
Diluted earnings per share	\$ 1.34	\$ 1.18				
Basic earnings per share	\$ 1.34	\$ 1.18				
Per-share amounts - net earnings						
Diluted earnings per share	\$ 1.36	\$ 1.25				
Basic earnings per share	\$ 1.36	\$ 1.25				
Dividends declared per share	\$ 0.75	\$ 0.66				

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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Table of Contents**Condensed Statement of Financial Position
General Electric Company and consolidated affiliates**

<i>(In millions; except share amounts)</i>	Consolidated		GE		Financial Services (GECS)	
	9/30/06	12/31/05	9/30/06	12/31/05	9/30/06	12/31/05
Cash and equivalents	\$ 13,782	\$ 8,825	\$ 1,739	\$ 2,015	\$ 12,144	\$ 7,130
Investment securities	45,626	42,148	425	461	45,208	41,710
Current receivables	12,535	14,851	12,771	15,058	-	-
Inventories	11,855	10,474	11,681	10,315	174	159
Financing receivables - net	310,231	287,639	-	-	310,258	287,639
Other GECS receivables	16,359	14,332	-	-	20,741	18,625
Property, plant and equipment (including equipment leased to others) - net	72,246	67,528	15,834	16,504	56,412	51,024
Investment in GECS	-	-	51,050	50,815	-	-
Intangible assets - net	85,468	81,630	60,129	57,839	25,339	23,791
All other assets	98,458	84,849	39,232	36,752	60,426	49,461
Assets of discontinued operations	15,540	61,066	-	-	15,540	61,066
Total assets	\$ 682,100	\$ 673,342	\$ 192,861	\$ 189,759	\$ 546,242	\$ 540,605
Short-term borrowings	\$ 167,206	\$ 158,156	\$ 2,679	\$ 1,127	\$ 165,073	\$ 157,672
Accounts payable, principally trade accounts	18,788	21,183	10,500	11,870	12,069	13,043
Progress collections and price adjustments accrued	4,949	4,456	4,949	4,456	-	-
Other GE current liabilities	20,430	21,042	20,430	21,059	-	-
Long-term borrowings	242,927	212,281	9,010	9,081	235,123	204,397
Investment contracts, insurance liabilities and insurance annuity benefits	34,570	33,097	-	-	34,894	33,387
All other liabilities	41,849	39,966	23,803	23,273	18,142	16,787
Deferred income taxes	16,484	16,226	4,183	3,733	12,301	12,493
Liabilities of discontinued operations	15,289	49,527	-	-	15,289	49,763
Total liabilities	562,492	555,934	75,554	74,599	492,891	487,542
Minority interest in equity of consolidated affiliates	8,211	8,054	5,910	5,806	2,301	2,248
Common stock (10,308,102,000 and 10,484,268,000 shares outstanding at September 30, 2006 and December 31, 2005, respectively)	669	669	669	669	1	1
Accumulated gains (losses) - net						
Investment securities	1,253	1,831	1,253	1,831	1,188	1,754
Currency translation adjustments	4,748	2,532	4,748	2,532	3,774	2,287
Cash flow hedges	(498)	(822)	(498)	(822)	(465)	(813)

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Minimum pension liabilities	(895)	(874)	(895)	(874)	(193)	(179)
Other capital	25,344	25,227	25,344	25,227	12,538	12,386
Retained earnings	104,452	98,117	104,452	98,117	34,207	35,379
Less common stock held in treasury	(23,676)	(17,326)	(23,676)	(17,326)	-	-
Total shareowners' equity	111,397	109,354	111,397	109,354	51,050	50,815
Total liabilities and equity	\$ 682,100	\$ 673,342	\$ 192,861	\$ 189,759	\$ 546,242	\$ 540,605

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 \$4,608 million and \$2,667 million at September 30, 2006, and December 31, 2005, respectively.

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

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Table of Contents**Condensed Statement of Cash Flows****General Electric Company and consolidated affiliates****Nine months ended September 30 (Unaudited)**

<i>(In millions)</i>	Consolidated		GE		Financial Services (GECS)	
	2006	2005	2006	2005	2006	2005
Cash flows - operating activities						
Net earnings	\$ 14,121	\$ 13,289	\$ 14,121	\$ 13,289	\$ 7,640	\$ 7,252
Earnings from discontinued operations	(166)	(761)	-	-	(166)	(761)
Adjustments to reconcile net earnings to cash provided from operating activities						
Depreciation and amortization of property, plant and equipment	6,672	6,483	1,935	1,867	4,737	4,616
Earnings retained by GECS	-	-	1,031	(1,740)	-	-
Deferred income taxes	1,509	(809)	754	(146)	755	(663)
Decrease in GE current receivables	2,337	1,766	2,307	1,857	-	-
Decrease (increase) in inventories	(1,908)	(919)	(1,893)	(934)	(15)	15
Increase (decrease) in accounts payable	(1,508)	(1,096)	(435)	(1,198)	(1,022)	468
Increase in GE progress collections	469	395	469	395	-	-
Provision for losses on GECS financing receivables	2,683	2,955	-	-	2,683	2,955
All other operating activities	(2,450)	4,071	196	1,307	501	3,118
Cash from operating activities - continuing operations	21,759	25,374	18,485	14,697	15,113	17,000
Cash from (used for) operating activities - discontinued operations	(64)	3,888	-	-	(64)	3,888
Cash from operating activities	21,695	29,262	18,485	14,697	15,049	20,888
Cash flows - investing activities						
Additions to property, plant and equipment	(11,045)	(9,666)	(2,450)	(1,616)	(8,595)	(8,050)
Dispositions of property, plant and equipment	4,429	4,433	-	-	4,429	4,433
Net increase in GECS financing receivables	(24,179)	(5,513)	-	-	(24,179)	(5,513)
Payments for principal businesses purchased	(10,966)	(10,527)	(4,068)	(3,784)	(6,898)	(6,743)
Proceeds from sales of discontinued operations	8,112	6,690	-	-	8,112	6,690
All other investing activities	1,224	(1,347)	1,405	819	(3,483)	(2,937)
Cash used for investing activities - continuing operations	(32,425)	(15,930)	(5,113)	(4,581)	(30,614)	(12,120)
Cash used for investing activities - discontinued operations	(2,469)	(5,250)	-	-	(2,469)	(5,250)
Cash used for investing activities	(34,894)	(21,180)	(5,113)	(4,581)	(33,083)	(17,370)

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Cash flows - financing activities

Net increase (decrease) in borrowings (maturities of 90 days or less)	600	(9,871)	1,596	(493)	(1,089)	(7,680)
Newly issued debt (maturities longer than 90 days)	60,745	48,289	88	151	60,665	48,159
Repayments and other reductions (maturities longer than 90 days)	(29,754)	(40,866)	(111)	(819)	(29,643)	(40,047)
Net purchases of GE treasury shares	(7,390)	(1,868)	(7,390)	(1,868)	-	-
Dividends paid to shareowners	(7,831)	(7,015)	(7,831)	(7,015)	(8,671)	(5,512)
All other financing activities	(747)	(1,401)	-	-	(747)	(1,401)
Cash from (used for) financing activities - continuing operations	15,623	(12,732)	(13,648)	(10,044)	20,515	(6,481)
Cash from (used for) financing activities - discontinued operations	(257)	249	-	-	(257)	249
Cash from (used for) financing activities	15,366	(12,483)	(13,648)	(10,044)	20,258	(6,232)
Increase (decrease) in cash and equivalents	2,167	(4,401)	(276)	72	2,224	(2,714)
Cash and equivalents at beginning of year	11,801	15,328	2,015	3,155	10,106	12,367
Cash and equivalents at September 30	13,968	10,927	1,739	3,227	12,330	9,653
Less cash and equivalents of discontinued operations at September 30	186	2,154	-	-	186	2,154
Cash and equivalents of continuing operations at September 30	\$ 13,782	\$ 8,773	\$ 1,739	\$ 3,227	\$ 12,144	\$ 7,499

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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Table of Contents**Summary of Operating Segments****General Electric Company and consolidated affiliates**

<i>(In millions)</i>	Three months ended			
	September 30		Nine months ended	
	(Unaudited)		September 30 (Unaudited)	
	2006	2005	2006	2005
Revenues				
Infrastructure	\$ 12,104	\$ 10,128	\$ 33,588	\$ 29,723
Industrial	8,526	8,257	25,454	24,178
Healthcare	3,897	3,578	11,712	10,667
NBC Universal	3,631	3,038	11,971	10,497
Commercial Finance	6,006	5,414	17,017	15,415
GE Money ^(a)	5,590	4,913	15,948	14,530
Total segment revenues	39,754	35,328	115,690	105,010
Corporate items and eliminations	1,102	1,040	2,887	2,247
Consolidated revenues	\$ 40,856	\$ 36,368	\$ 118,577	\$ 107,257
Segment profit ^(b)				
Infrastructure	\$ 2,336	\$ 1,880	\$ 6,146	\$ 5,336
Industrial	692	629	2,021	1,790
Healthcare	700	589	1,991	1,670
NBC Universal	542	603	2,078	2,291
Commercial Finance	1,290	1,212	3,521	3,010
GE Money ^(a)	916	810	2,632	2,280
Total segment profit	6,476	5,723	18,389	16,377
Corporate items and eliminations	(296)	(124)	(1,175)	(763)
GE interest and other financial charges	(507)	(339)	(1,377)	(1,056)
GE provision for income taxes	(614)	(668)	(1,882)	(2,030)
Earnings from continuing operations	5,059	4,592	13,955	12,528
Earnings (loss) from discontinued operations, net of taxes	(95)	85	166	761
Consolidated net earnings	\$ 4,964	\$ 4,677	\$ 14,121	\$ 13,289

(a) Formerly known as Consumer Finance.

(b) 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 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 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).

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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, 2005. 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 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. We classified GE Life, Genworth Financial, Inc. (Genworth) and most of GE Insurance Solutions Corporation (GE Insurance Solutions) as discontinued operations. Associated results of operations, financial position and cash flows are separately reported for all periods presented.

Completed sale of GE Insurance Solutions

In June 2006, we completed the sale of the property and casualty insurance and reinsurance businesses and the European life and health operations of GE Insurance Solutions to Swiss Reinsurance Company (Swiss Re) for \$9,297 million, including the assumption of \$1,700 million of debt. We received \$5,359 million in cash and \$2,238 million of newly issued Swiss Re common stock, representing a 9% interest in Swiss Re, that we are not permitted to sell before June 4, 2007, under the agreement we have with Swiss Re. GE Insurance Solutions loss from discontinued operations, net of taxes, for the third quarter of 2006 was \$25 million and earnings from discontinued operations, net of taxes, for the first nine months of 2006 were \$211 million.

Completed sale of Genworth

In March 2006, we completed the sale of our remaining 18% investment in Genworth through a secondary public offering of 71 million shares of Class A Common Stock and direct sale to Genworth of 15 million shares of Genworth Class B Common Stock. As a result, we recognized a pre-tax gain of \$516 million (\$300 million after tax) in the first quarter of 2006.

Table of Contents**Planned sale of GE Life**

On October 13, 2006, Swiss Re agreed to purchase GE Life, our U.K.-based life insurance operation, for 465 million pounds (approximately \$863 million). Operating results through closing will be controlled by us and be for our benefit, subject to certain restrictions with respect to conducting the operation being sold. Effective at closing, all policyholder and other customer contracts will be the responsibility of Swiss Re. We expect this transaction to close in the fourth quarter of 2006, subject to regulatory approvals and customary closing conditions. GE Life revenues for the third quarter and first nine months of 2006 were \$490 million and \$1,352 million, respectively; its earnings from operations for the third quarter and first nine months of 2006 were \$12 million and \$29 million, respectively. We have provided for our best estimate of loss on the sale. We made no such provision in the third quarter of 2006. We have provided \$320 million (\$285 million after tax) for the first nine months of 2006.

Summarized financial information for discontinued operations

Summarized financial information for discontinued operations is set forth below. Gain (loss) on disposal included both actual (GE Insurance Solutions and Genworth) and estimated (GE Life) effects.

<i>(In millions)</i>	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
Operations				
Revenues from services	\$ 489	\$ 5,137	\$ 4,171	\$ 15,367
Earnings from discontinued operations before				
minority interest and income taxes	\$ 9	\$ 47	\$ 391	\$ 1,381
Minority interest	-	150	-	394
Earnings (loss) from discontinued operations before income taxes	9	(103)	391	987
Income tax expense	(4)	(66)	(86)	(566)
Earnings (loss) from discontinued operations before disposal, net of taxes	\$ 5	\$ (169)	\$ 305	\$ 421
Disposal				
Gain (loss) on disposal before income taxes	\$ (163)	\$ 420	\$ (152)	\$ 576
Income tax benefit (expense)	63	(166)	13	(236)
Gain (loss) on disposal, net of taxes	\$ (100)	\$ 254	\$ (139)	\$ 340
Earnings (loss) from discontinued operations, net of taxes	\$ (95)	\$ 85	\$ 166	\$ 761

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<i>(In millions)</i>	At	
	9/30/06	12/31/05
Assets		
Cash and equivalents	\$ 186	\$ 2,976
Investment securities	12,107	37,633
Other receivables	467	13,915
Other	2,780	6,542
Assets of discontinued operations	\$ 15,540	\$ 61,066

<i>(In millions)</i>	At	
	9/30/06	12/31/05
Liabilities and equity		
Investment contracts, insurance liabilities and insurance annuity benefits	\$ 13,403	\$ 43,378
Other	1,886	6,385
Liabilities of discontinued operations	15,289	49,763
Eliminations	-	(236)
Total	\$ 15,289	\$ 49,527
Total accumulated nonowner changes other than earnings	\$ 194	\$ 652

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

<i>(In millions)</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2006	2005	2006	2005
Interest on loans	\$ 5,586	\$ 4,843	\$ 16,555	\$ 14,944
Operating lease rentals	3,410	3,006	9,477	8,562
Fees	1,002	1,126	3,018	2,944
Financing leases	1,176	962	3,203	3,030
Investment income	687	895	1,913	2,137
Premiums earned by insurance activities	536	563	1,512	1,686
Other income	3,359	2,928	8,799	7,248
Total	\$ 15,756	\$ 14,323	\$ 44,477	\$ 40,551

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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 the U.S. and non-U.S. pension plans whose pension assets or obligations exceeded \$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 and retiree benefit plans follows.

<i>(In millions)</i>	Principal Pension Plans			
	Three months ended		Nine months ended	
	September 30		September 30	
	2006	2005	2006	2005
Expected return on plan assets	\$ (953)	\$ (971)	\$ (2,858)	\$ (2,911)
Service cost for benefits earned	338	407	1,027	1,057
Interest cost on benefit obligation	576	564	1,728	1,684
Prior service cost	69	63	184	187
Net actuarial loss recognized	181	90	550	261
Cost of pension plans	\$ 211	\$ 153	\$ 631	\$ 278

<i>(In millions)</i>	Other Pension Plans			
	Three months ended		Nine months ended	
	September 30		September 30	
	2006	2005	2006	2005
Expected return on plan assets	\$ (101)	\$ (87)	\$ (298)	\$ (267)
Service cost for benefits earned	81			