

GENERAL MOTORS CORP

Form 10-Q/A

March 28, 2006

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549-1004
FORM 10-Q/A**

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

For the quarterly period ended June 30, 2005

OR

**○ TRANSITION REPORT PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-143

GENERAL MOTORS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

STATE OF DELAWARE

38-0572515

(State or other jurisdiction of
Incorporation or Organization)

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

300 Renaissance Center, Detroit, Michigan

48265-3000

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code **(313) 556-5000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 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

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

As of July 31, 2005, there were outstanding 565,503,422 shares of the issuer's \$1-2/3 par value common stock.

Website Access to Company's Reports

General Motor's (GM's) internet website address is www.gm.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission.

**GENERAL MOTORS CORPORATION AND SUBSIDIARIES
INDEX**

	Page No.
<u>Explanatory Note</u>	3
<u>Part I Financial Information</u>	
<u>Item 1. Condensed Consolidated Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Statements of Income for the Three Months and Six Months Ended June 30, 2005 (as restated) and 2004 (as restated)</u>	4
<u>Supplemental Information to the Condensed Consolidated Statements of Income for the Three Months and Six Months Ended June 30, 2005 (as restated) and 2004 (as restated)</u>	5
<u>Condensed Consolidated Balance Sheets as of June 30, 2005 (as restated), December 31, 2004, and June 30, 2004 (as restated)</u>	6
<u>Supplemental Information to the Condensed Consolidated Balance Sheets as of June 30, 2005 (as restated), December 31, 2004, and June 30, 2004 (as restated)</u>	7
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2005 (as restated) and 2004 (as restated)</u>	8
<u>Supplemental Information to the Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2005 (as restated) and 2004 (as restated)</u>	9
<u>Notes to Condensed Consolidated Financial Statements</u>	10
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
<u>Item 4. Controls and Procedures</u>	48
<u>Part II Other Information</u>	
<u>Item 6. Exhibits</u>	50
<u>Signatures</u>	51
<u>Certifications</u>	
<u>Section 302 Certification of the Chief Executive Officer</u>	
<u>Section 302 Certification of the Chief Financial Officer</u>	
<u>Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350</u>	
<u>Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350</u>	

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
EXPLANATORY NOTE

This Amendment No. 2 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 initially filed with the Securities and Exchange Commission on August 8, 2005 and amended on November 9, 2005 is being filed to reflect restatements of GM's Condensed Consolidated Balance Sheets as of June 30, 2005 and 2004, the related Condensed Consolidated Statements of Income for the three and six month periods ended those dates, and the related Condensed Consolidated Statements of Cash Flows for the six month periods ended those dates (the Financial Statements). These restatements reflect the effects of adjustments for the accounting related to various matters detailed in Note 1 to the Condensed Consolidated Financial Statements. These restatements reflect adjustments for transactions related to supplier credits, adjustments to the accounting for benefit plans, adjustments related to GM's portfolio of vehicles on operating lease with daily rental car entities and other items. Additionally, the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2005 and 2004 have been restated with respect to the erroneous classification of cash flows from certain mortgage loan transactions as cash flows from operations instead of cash flows from investing activities. GM is also revising the discussion under Item 4, Controls and Procedures in order to reflect the effects of the restatements. Except with respect to these matters, the Financial Statements in this Form 10-Q/A do not reflect any events that have occurred after the Form 10-Q for the quarter ended June 30, 2005 was filed.

Table of Contents

PART I
GENERAL MOTORS CORPORATION AND SUBSIDIARIES
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	(As restated, see Note 1) 2005	(As restated, see Note 1) 2004	(As restated, see Note 1) 2005	(As restated, see Note 1) 2004
	(dollars in millions except per share amounts)			
Total net sales and revenues	\$ 48,469	\$ 49,293	\$ 94,242	\$ 97,155
Cost of sales and other expenses	40,730	39,793	80,229	78,667
Selling, general, and administrative expenses	5,432	5,212	10,321	10,200
Interest expense	3,712	2,839	7,391	5,623
Total costs and expenses	49,874	47,844	97,941	94,490
Income (loss) before income taxes, equity income and minority interests	(1,405)	1,449	(3,699)	2,665
Income tax expense (benefit)	(245)	223	(1,217)	466
Equity income (loss) and minority interests	173	213	242	465
Net income (loss)	\$ (987)	\$ 1,439	\$ (2,240)	\$ 2,664
Basic earnings (loss) per share attributable to common stock (Note 9)	\$ (1.75)	\$ 2.55	\$ (3.96)	\$ 4.72
Earnings (loss) per share attributable to common stock assuming dilution (Note 9)	\$ (1.75)	\$ 2.53	\$ (3.96)	\$ 4.68

Reference should be made to the notes to condensed consolidated financial statements.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION TO THE CONDENSED CONSOLIDATED STATEMENTS OF
INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	(As restated, see Note 1) 2005	(As restated, see Note 1) 2004 (dollars in millions)	(As restated, see Note 1) 2005	(As restated, see Note 1) 2004
AUTOMOTIVE AND OTHER OPERATIONS				
Total net sales and revenues	\$ 40,178	\$ 41,202	\$ 77,481	\$ 81,339
Cost of sales and other expenses	38,720	37,231	75,866	73,725
Selling, general, and administrative expenses	3,320	3,144	6,157	6,167
Total costs and expenses	42,040	40,375	82,023	79,892
Interest expense	671	596	1,356	1,158
Net expense from transactions with Financing and Insurance Operations	100	59	187	127
Income (loss) before income taxes, equity income, and minority interests	(2,633)	172	(6,085)	162
Income tax (benefit)	(665)	(255)	(2,063)	(479)
Equity income (loss) and minority interests	173	213	245	467
Net income (loss) Automotive and Other Operations	\$ (1,795)	\$ 640	\$ (3,777)	\$ 1,108
FINANCING AND INSURANCE OPERATIONS				
Total revenues	\$ 8,291	\$ 8,091	\$ 16,761	\$ 15,816
Interest expense	3,041	2,243	6,035	4,465
Depreciation and amortization expense	1,404	1,331	2,802	2,722
Operating and other expenses	1,921	2,276	4,010	4,159
Provisions for financing and insurance losses	797	1,023	1,715	2,094
Total costs and expenses	7,163	6,873	14,562	13,440
Net income from transactions with Automotive and Other Operations	(100)	(59)	(187)	(127)

Edgar Filing: GENERAL MOTORS CORP - Form 10-Q/A

Income before income taxes, equity income, and minority interests	1,228	1,277	2,386	2,503
Income tax expense	420	478	846	945
Equity income (loss) and minority interests			(3)	(2)
Net income Financing and Insurance Operations	\$ 808	\$ 799	\$ 1,537	\$ 1,556

The above Supplemental Information is intended to facilitate analysis of General Motors Corporation's businesses: (1) Automotive and Other Operations; and (2) Financing and Insurance Operations. Reference should be made to the notes to condensed consolidated financial statements.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	(As restated, see Note 1) June 30, 2005	Dec. 31, 2004	(As restated, see Note 1) June 30, 2004
	(dollars in millions)		
ASSETS			
Cash and cash equivalents	\$ 32,261	\$ 35,993	\$ 29,901
Marketable securities	23,013	21,737	20,816
Total cash and marketable securities	55,274	57,730	50,717
Finance receivables net	178,137	199,600	191,563
Loans held for sale	26,903	19,934	17,393
Accounts and notes receivable (less allowances)	18,465	21,236	16,990
Inventories (less allowances) (Note 3)	13,350	12,247	12,274
Deferred income taxes	27,910	26,559	27,835
Net equipment on operating leases (less accumulated depreciation)	36,076	34,214	32,800
Equity in net assets of nonconsolidated affiliates	4,156	6,776	6,381
Property net	40,325	39,020	37,578
Intangible assets net (Note 4)	4,947	4,925	4,696
Other assets	60,458	57,680	57,709
Total assets	\$ 466,001	\$ 479,921	\$ 455,936
LIABILITIES AND STOCKHOLDERS EQUITY			
Accounts payable (principally trade)	\$ 28,694	\$ 28,830	\$ 26,377
Notes and loans payable	283,621	300,279	277,027
Postretirement benefits other than pensions	30,592	28,182	31,767
Pensions	9,712	9,455	7,559
Deferred income taxes	6,632	7,078	8,101
Accrued expenses and other liabilities	82,002	78,340	77,326
Total liabilities	441,253	452,164	428,157
Minority interests	902	397	328
Stockholders equity			
\$1-2/3 par value common stock (outstanding, 565,503,422; 565,132,021; and 564,721,304 shares)	943	942	941
Capital surplus (principally additional paid-in capital)	15,255	15,241	15,181
Retained earnings	11,252	14,062	14,487

Edgar Filing: GENERAL MOTORS CORP - Form 10-Q/A

Subtotal	27,450	30,245	30,609
Accumulated foreign currency translation adjustments	(1,645)	(1,194)	(1,685)
Net unrealized gains on derivatives	331	589	369
Net unrealized gains on securities	687	751	557
Minimum pension liability adjustment	(2,977)	(3,031)	(2,399)
Accumulated other comprehensive loss	(3,604)	(2,885)	(3,158)
Total stockholders' equity	23,846	27,360	27,451
Total liabilities and stockholders' equity	\$ 466,001	\$ 479,921	\$ 455,936

Reference should be made to the notes to condensed consolidated financial statements.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION TO THE CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	(As restated, see Note 1) June 30, 2005	Dec. 31, 2004	(As restated, see Note 1) June 30, 2004
	(dollars in millions)		
ASSETS			
Automotive and Other Operations			
Cash and cash equivalents	\$ 12,445	\$ 13,148	\$ 13,182
Marketable securities	3,629	6,655	8,319
Total cash and marketable securities	16,074	19,803	21,501
Accounts and notes receivable (less allowances)	8,087	6,713	6,396
Inventories (less allowances) (Note 3)	12,818	11,717	11,576
Net equipment on operating leases (less accumulated depreciation)	6,723	6,488	6,914
Deferred income taxes and other current assets	10,516	10,794	10,876
Total current assets	54,218	55,515	57,263
Equity in net assets of nonconsolidated affiliates	4,156	6,776	6,381
Property net	38,480	37,170	35,684
Intangible assets net (Note 4)	1,658	1,599	1,412
Deferred income taxes	19,253	17,639	18,595
Other assets	41,415	40,844	41,657
Total Automotive and Other Operations assets	159,180	159,543	160,992
Financing and Insurance Operations			
Cash and cash equivalents	19,816	22,845	16,719
Investments in securities	19,384	15,082	12,497
Finance receivables net	178,137	199,600	191,563
Loans held for sale	26,903	19,934	17,393
Net equipment on operating leases (less accumulated depreciation)	29,353	27,726	25,886
Other assets	33,228	35,191	30,886
Net receivable from Automotive and Other Operations	2,846	2,426	2,004
Total Financing and Insurance Operations assets	309,667	322,804	296,948
Total assets	\$ 468,847	\$ 482,347	\$ 457,940
LIABILITIES AND STOCKHOLDERS EQUITY			
Automotive and Other Operations			
Accounts payable (principally trade)	\$ 25,361	\$ 24,257	\$ 23,084

Edgar Filing: GENERAL MOTORS CORP - Form 10-Q/A

Loans payable	1,563	2,062	2,625
Accrued expenses	44,517	46,202	46,655
Net payable to Financing and Insurance Operations	2,846	2,426	2,004
Total current liabilities	74,287	74,947	74,368
Long-term debt	31,043	30,460	29,814
Postretirement benefits other than pensions	25,882	23,477	27,797
Pensions	9,619	9,371	7,489
Other liabilities and deferred income taxes	16,447	16,206	16,000
Total Automotive and Other Operations liabilities	157,278	154,461	155,468
Financing and Insurance Operations			
Accounts payable	3,333	4,573	3,293
Debt	251,015	267,757	244,588
Other liabilities and deferred income taxes	32,473	27,799	26,812
Total Financing and Insurance Operations liabilities	286,821	300,129	274,693
Total liabilities	444,099	454,590	430,161
Minority interests	902	397	328
Total stockholders' equity	23,846	27,360	27,451
Total liabilities and stockholders' equity	\$ 468,847	\$ 482,347	\$ 457,940

The above Supplemental Information is intended to facilitate analysis of General Motors Corporation's businesses: (1) Automotive and Other Operations; and (2) Financing and Insurance Operations. Reference should be made to the notes to condensed consolidated financial statements.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	(As restated, see Note 1) 2005	(As restated, see Note 1) 2004
	(dollars in millions)	
Net cash used in operating activities (Note 1)	\$ (1,781)	\$ (282)
Cash flows from investing activities		
Expenditures for property	(2,944)	(3,201)
Investments in marketable securities acquisitions	(10,830)	(6,466)
Investments in marketable securities liquidations	10,269	7,064
Net change in mortgage servicing rights	(185)	(176)
Increase in finance receivables	(2,569)	(17,486)
Proceeds from sales of finance receivables	17,692	9,012
Operating leases acquisitions	(8,378)	(7,118)
Operating leases liquidations	3,258	3,992
Investments in companies, net of cash acquired	1,355	(32)
Other	(2,141)	1,113
Net cash provided by (used in) investing activities (Note 1)	5,527	(13,298)
Cash flows from financing activities		
Net (decrease) increase in loans payable	(8,411)	2,137
Long-term debt borrowings	30,440	37,784
Long-term debt repayments	(32,144)	(30,986)
Cash dividends paid to stockholders	(570)	(564)
Other	3,619	2,804
Net cash (used in) provided by financing activities	(7,066)	11,175
Effect of exchange rate changes on cash and cash equivalents	(412)	(248)
Net decrease in cash and cash equivalents	(3,732)	(2,653)
Cash and cash equivalents at beginning of the period	35,993	32,554
Cash and cash equivalents at end of the period	\$ 32,261	\$ 29,901

Reference should be made to the notes to condensed consolidated financial statements.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH
FLOWS
(Unaudited)

	Automotive and Other		Financing and Insurance	
	(As restated, see Note 1) 2005	(As restated, see Note 1) 2004	(As restated, see Note 1) 2005	(As restated, see Note 1) 2004
Six Months Ended June 30,				
(dollars in millions)				
Net cash (used in) provided by operating activities (Note 1)	\$ (2,138)	\$ 955	\$ 357	\$ (1,237)
Cash flows from investing activities				
Expenditures for property	(2,813)	(3,038)	(131)	(163)
Investments in marketable securities acquisitions	(271)	(855)	(10,559)	(5,611)
Investments in marketable securities liquidations	3,137	1,603	7,132	5,461
Net change in mortgage servicing rights			(185)	(176)
Increase in finance receivables			(2,569)	(17,486)
Proceeds from sales of finance receivables			17,692	9,012
Operating leases acquisitions			(8,378)	(7,118)
Operating leases liquidations			3,258	3,992
Net investing activity with Financing and Insurance Operations	1,000			
Investments in companies, net of cash acquired	1,355	(53)		21
Other	(591)	110	(1,550)	1,003
Net cash provided by (used in) investing activities (Note 1)	1,817	(2,233)	4,710	(11,065)
Cash flows from financing activities				
Net increase (decrease) in loans payable	46	(437)	(8,457)	2,574
Long-term debt borrowings	25	756	30,415	37,028
Long-term debt repayments	(20)	(55)	(32,124)	(30,931)
Net financing activity with Automotive & Other			(1,000)	
Cash dividends paid to stockholders	(570)	(564)		
Other			3,619	2,804

Net cash (used in) provided by financing activities	(519)	(300)	(7,547)	11,475
Effect of exchange rate changes on cash and cash equivalents	(283)	(176)	(129)	(72)
Net transactions with Automotive/Financing Operations	420	512	(420)	(512)
Net decrease in cash and cash equivalents	(703)	(1,242)	(3,029)	(1,411)
Cash and cash equivalents at beginning of the period	13,148	14,424	22,845	18,130
Cash and cash equivalents at end of the period	\$ 12,445	\$ 13,182	\$ 19,816	\$ 16,719

The above Supplemental Information is intended to facilitate analysis of General Motors Corporation's businesses: (1) Automotive and Other Operations; and (2) Financing and Insurance Operations. Classification of cash flows for Financing and Insurance Operations is consistent with presentation in GM's Consolidated Statement of Cash Flows. See Note 1.

Reference should be made to the notes to condensed consolidated financial statements.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. Financial Statement Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information. In the opinion of management, all adjustments (consisting of only normal recurring items), which are necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results which may be expected for any other interim period or for the full year. The condensed consolidated financial statements include the accounts of General Motors Corporation and domestic and foreign subsidiaries that are more than 50% owned, principally General Motors Acceptance Corporation and Subsidiaries (GMAC), (collectively referred to as the Corporation, General Motors or GM). In addition, GM consolidates variable interest entities (VIEs) for which it is deemed to be the primary beneficiary. General Motors' share of earnings or losses of affiliates is included in the consolidated operating results using the equity method of accounting when GM is able to exercise significant influence over the operating and financial decisions of the investee. GM encourages reference to the GM Annual Report on Form 10-K for the period ended December 31, 2004, as amended, filed separately with the U.S. Securities and Exchange Commission (SEC).

GM presents its primary financial statements on a fully consolidated basis. Transactions between businesses have been eliminated in the Corporation's condensed consolidated financial statements. These transactions consist principally of borrowings and other financial services provided by Financing and Insurance Operations (FIO) to Automotive and Other Operations (Auto & Other).

To facilitate analysis, GM presents supplemental information to the statements of income, balance sheets, and statements of cash flows for the following businesses: (1) Auto & Other, which consists of the design, manufacturing, and marketing of cars, trucks and related parts and accessories; and (2) FIO, which consists primarily of GMAC. GMAC provides a broad range of financial services, including consumer vehicle financing, full-service leasing and fleet leasing, dealer financing, car and truck extended service contracts, residential and commercial mortgage services, vehicle and homeowners' insurance, and asset-based lending.

Restatement of Financial Statements*Results of Operations*

In its original Quarterly Report on Form 10-Q for the period ended June 30, 2005 and in Amendment No. 1 to such filing, GM reflected certain restatement adjustments summarized under notes (a) and (b) below. Subsequent to the issuance of the GM Quarterly Report on Form 10-Q for the period ended June 30, 2005, GM management determined that the accounting for certain supplier credits and other lump sum payments from suppliers in 2001 and subsequent years was in error. GM previously disclosed in a Current Report on Form 8-K dated November 9, 2005, that it would restate its financial statements to correct the accounting for credits and other lump sum payments from suppliers. GM has subsequently chosen to restate its financial statements for the additional errors identified in periods presented in this filing. The effects of the restatement adjustments on GM's originally reported results of operations for the three and six months ended June 30, 2005 and 2004 are summarized below.

	Net income (loss) for the three months ended June 30,		Net income (loss) for the six months ended June 30,	
	2005	2004	2005	2004
	(dollars in millions)			
As originally reported	\$ (286)	\$ 1,341	\$ (1,390)	\$ 2,621
Out of period adjustments (a)		36		(36)
Impairment of Fuji Heavy Industries (b)	(788)		(788)	
As previously reported	\$ (1,074)	\$ 1,377	\$ (2,178)	\$ 2,585

Edgar Filing: GENERAL MOTORS CORP - Form 10-Q/A

Adjustments, net of tax, for:				
Supplier credits (c)	11	(4)	15	(8)
Disposal loss adjustment (d)	49	30	(58)	
Benefit plans economic assumptions (e)	(16)	1	(32)	2
Other, net of tax (f)	43	35	13	85
Total of above adjustments	87	62	(62)	79
As restated	\$ (987)	\$ 1,439	\$ (2,240)	\$ 2,664

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued
(Unaudited)

NOTE 1. Financial Statement Presentation (continued)

Restatement of Financial Statements (continued)

- (a) As described in our Annual Report on Form 10-K for the year ended December 31, 2004, as amended, during the fourth quarter of 2004, internal controls that had been put into place in connection with GM's Sarbanes-Oxley Section 404 program at GMAC's residential mortgage businesses identified certain out-of-period adjustments. The majority of these amounts resulted from items detected and recorded in the fourth quarter of 2004 that relate to prior 2004 quarters. As a result, GM has restated its 2004 quarterly and year-to-date financial statements. The most significant of these restatement adjustments relate to: (1) the estimation of fair values of certain interests in securitized assets, (2) the accounting for deferred income taxes related to certain secured financing transactions; and (3) the income statement effects of consolidating certain mortgage transfers previously recognized as sales.

Upon identification of these out-of-period adjustments, GM analyzed their effect, together with the effect of out-of-period adjustments related to Auto & Other that had been previously considered immaterial to GM on a consolidated basis, and concluded that, in the aggregate, they were significant enough to warrant restatement of GM's 2004 quarterly results. The most significant of the Auto & Other out-of-period adjustments relates to GM's accounting for the Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was initially reported in the first quarter of 2004 pursuant to FASB Staff Position (FSP) No. FAS 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." FSP 106-1 permitted companies to recognize the effect of the Act beginning with its enactment date (December 8, 2003), or defer recognition until the issuance of final rules by the FASB. In the second quarter of 2004, FSP 106-2 was issued which superseded FSP 106-1 and clarified how to account for the effect of the Act under circumstances where a company's other postretirement employee benefits (OPEB) plan has a plan year-end that is different from the company's fiscal year-end. This second quarter clarification provided guidance on the accounting for the effect of the Act in a manner different than GM had applied prior to restatement.

- (b) As described in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, as amended, investments in equity securities as of June 30, 2005, include GM's 20.1% investment in the common stock of Fuji Heavy Industries, Ltd. (FHI), which then had a book value of \$1.5 billion. GM uses the equity method of accounting for its investment in FHI. At the time of GM's initial investment in FHI and through the first quarter of 2005, the book value of the FHI shares had been in excess of the value of the underlying shares of common stock of FHI, as determined by trades on the Tokyo Stock Exchange. However, the carrying value amount had been considered recoverable based on GM's periodic estimates of fair value that comprehended FHI's future business plans and financial prospects. In May 2005, management of FHI formulated a new business plan, which indicated FHI's expectation of a decline in revenues, profits and cash flows in the near term from those levels comprehended in previous plans.

GM has determined that, as of the second quarter, the value of the common stock of FHI was other than temporarily impaired and that the carrying value of the common stock FHI should have been reduced to fair value of approximately \$650 million, based on the closing price of FHI stock on the Tokyo Stock Exchange on June 30, 2005. GM believes that the closing price of FHI stock on June 30, 2005 represents the best indicator of fair market value and that it would not be appropriate to consider subsequent recovery in the price of FHI stock in determining the second quarter impairment. This correction had no effect on GM's originally reported amounts of cash flows from operating activities or the net increase (decrease) in cash equivalents.

- (c) GM erroneously recorded as a reduction to cost of sales certain payments and credits received from suppliers prior to completion of the earnings process. GM has concluded that the payments and credits received were associated with agreements for the award of future services or products or other rights and privileges and should be recognized when subsequently earned.

- (d) GM's portfolio of vehicles on operating lease with daily rental car entities, which was impaired at lease inception, was prematurely revalued in 2005 to reflect increased anticipated proceeds upon disposal.
- (e) GM originally estimated its discount rate for the U.S. Hourly pension plan referencing certain indicators which, in view of evolving guidance, did not provide the best estimate to defease the pension liability. The above adjustments to 2005 results include the amounts, net of tax, to correct the original accounting estimates. Also, GM erroneously calculated the anticipated effect of cost reduction initiatives on its expected healthcare cost trend rate for 2002 and, as a result, understated that rate. The above adjustments to 2005 and 2004 results reflect the subsequent increase in accrued expense related to the 2001 calculation.
- (f) For periods covered by this filing, GM has recorded other accounting adjustments it has identified that were not recorded in the proper period. These out-of-period adjustments were not material to the financial statements as originally reported; however, as part of the restatement, they are being recognized in the period in which the underlying transactions occurred. The effect of these adjustments, net-of-tax, was \$43 million and \$35 million for the three months ended June 30, 2005 and 2004, respectively, and \$13 million and \$85 million for the six months ended June 30, 2005 and 2004, respectively. The significant out-of-period adjustments were related to the following matters: (1) Engineering and facility-related expenses recorded in improper periods; (2) Reconciliation of prior year tax provisions to actual tax returns.

Table of Contents*Statements of Cash Flows*

Restatements GM previously disclosed in a Current Report on Form 8-K dated March 17, 2006, that it would restate its statements of cash flows to correct for the erroneous classification of cash flows from certain mortgage loan transactions as cash flows from operations instead of cash flows from investing activities.

Reclassifications After considering the concerns raised by the staff of the SEC as of December 31, 2004, management concluded that certain amounts in the consolidated statements of cash flows for the year ended December 31, 2004 should be reclassified to appropriately present net cash used in operating activities and net cash used in investing activities. These amounts for the six months ended June 30, 2004 have been reclassified to be consistent with the six months ended June 30, 2005.

The Corporation's previous policy was to classify all the cash flow effects of providing wholesale loans to its independent dealers by GM's Financing and Insurance Operations as an investing activity in its condensed consolidated statements of cash flows. This policy, when applied to the financing of inventory sales, had the effect of presenting an investing cash outflow and an operating cash inflow even though there was no cash inflow or outflow on a consolidated basis. The Corporation has changed its policy to eliminate this intersegment activity from its condensed consolidated statements of cash flows and, as a result of this change, all cash flow effects related to wholesale loans are reflected in the operating activities section of the condensed consolidated statements of cash flows for the six months ended June 30, 2005 and 2004. This reclassification better reflects the financing of the sale of inventory as a non-cash transaction to GM on a consolidated basis and eliminates the effects of intercompany transactions.

The effects of these adjustments on GM's previously reported condensed consolidated statements of cash flows for the six months ended June 30, 2005 and 2004 are summarized below.

	Six Months Ended June 30,			
	2005		2004	
	Consolidated	Financing and Insurance	Consolidated	Financing and Insurance
Net cash used in operating activities				
As originally reported	\$ 2,489	\$ 4,627	\$ 7,599	\$ 6,644
Reclassification - wholesale loans			(7,040)	(7,040)
As previously reported	\$ 2,489	\$ 4,627	\$ 559	\$ (396)
Restatement - mortgage related activities	(4,270)	(4,270)	(841)	(841)
As restated	\$ (1,781)	\$ 357	\$ (282)	\$ (1,237)
Net cash provided by (used in) investing activities				
As originally reported	\$ 1,257	\$ 440	\$ (21,179)	\$ (18,946)
Reclassification - wholesale loans			7,040	7,040
As previously reported	\$ 1,257	\$ 440	\$ (14,139)	\$ (11,906)
Restatement - mortgage related activities	4,270	4,270	841	841
As restated	\$ 5,527	\$ 4,710	\$ (13,298)	\$ (11,065)

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 1. Financial Statement Presentation (continued)
Restatement of Financial Statements (continued)

The following is a summary of the effect of the restatement on the previously issued Condensed Consolidated Statements of Income, Condensed Consolidated Balance Sheets, and Condensed Consolidated Statements of Cash Flows, and supplemental information thereto.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,			
	2005		2004	
	Previously reported	Restated	Previously reported	Restated
	(dollars in millions except per share amounts)			
GENERAL MOTORS CORPORATION AND SUBSIDIARIES				
Total net sales and revenues	\$ 48,469	\$ 48,469	\$ 49,254	\$ 49,293
Cost of sales and other expenses	40,902	40,730	39,778	39,793
Selling, general, and administrative expenses	5,432	5,432	5,171	5,212
Interest expense	3,712	3,712	2,839	2,839
Total costs and expenses	50,046	49,874	47,788	47,844
Income (loss) before income taxes, equity income and minority interests	(1,577)	(1,405)	1,466	1,449
Income tax (benefit) expense	(330)	(245)	302	223
Equity income (loss) and minority interests	173	173	213	213
Net income (loss)	\$ (1,074)	\$ (987)	\$ 1,377	\$ 1,439
Basic earnings (loss) per share attributable to common stock	\$ (1.90)	\$ (1.75)	\$ 2.44	\$ 2.55
Earnings (loss) per share attributable to common stock assuming dilution	\$ (1.90)	\$ (1.75)	\$ 2.42	\$ 2.53

	Six Months Ended June 30,			
	2005		2004	
	Previously reported	Restated	Previously reported	Restated
	(dollars in millions except per share amounts)			
GENERAL MOTORS CORPORATION AND SUBSIDIARIES				
Total net sales and revenues	\$ 94,242	\$ 94,242	\$ 97,084	\$ 97,155

Edgar Filing: GENERAL MOTORS CORP - Form 10-Q/A

Cost of sales and other expenses	80,215	80,229	78,551	78,667
Selling, general, and administrative expenses	10,321	10,321	10,180	10,200
Interest expense	7,391	7,391	5,623	5,623
Total costs and expenses	97,927	97,941	94,354	94,490
Income (loss) before income taxes, equity income and minority interests	(3,685)	(3,699)	2,730	2,665
Income tax (benefit) expense	(1,265)	(1,217)	610	466
Equity income (loss) and minority interests	242	242	465	465
Net income (loss)	\$ (2,178)	\$ (2,240)	\$ 2,585	\$ 2,664
Basic earnings (loss) per share attributable to common stock	\$ (3.85)	\$ (3.96)	\$ 4.58	\$ 4.72
Earnings (loss) per share attributable to common stock assuming dilution	\$ (3.85)	\$ (3.96)	\$ 4.54	\$ 4.68

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 1. Financial Statement Presentation (continued)**Restatement of Financial Statements (continued)**

**SUPPLEMENTAL INFORMATION TO THE CONDENSED CONSOLIDATED STATEMENTS OF
INCOME**

	Three Months Ended June 30,			
	2005		2004	
	Previously reported	Restated	Previously reported	Restated
	(dollars in millions)			
AUTOMOTIVE AND OTHER OPERATIONS				
Total net sales and revenues	\$ 40,178	\$ 40,178	\$ 41,202	\$ 41,202
Cost of sales and other expenses	38,861	38,720	37,259	37,231
Selling, general, and administrative expenses	3,320	3,320	3,144	3,144
Total costs and expenses	42,181	42,040	40,403	40,375
Interest expense	671	671	596	596
Net expense from transactions with Financing and Insurance Operations	100	100	59	59
Income (loss) before income taxes, equity income, and minority interests	(2,774)	(2,633)	144	172
Income tax (benefit)	(719)	(665)	(188)	(255)
Equity income (loss) and minority interests	173	173	213	213
Net income (loss) Automotive and Other Operations	\$ (1,882)	\$ (1,795)	\$ 545	\$ 640
FINANCING AND INSURANCE OPERATIONS				
Total revenues	\$ 8,291	\$ 8,291	\$ 8,052	\$ 8,091
Interest expense	3,041	3,041	2,243	2,243
Depreciation and amortization expense	1,404	1,404	1,333	1,331
Operating and other expenses	1,952	1,921	2,190	2,276
Provisions for financing and insurance losses	797	797	1,023	1,023
Total costs and expenses	7,194	7,163	6,789	6,873
Net income from transactions with Automotive and Other Operations	(100)	(100)	(59)	(59)
Income before income taxes, equity income and minority interests	1,197	1,228	1,322	1,277
Income tax expense	389	420	490	478

Equity income (loss) and minority interests

Net income	Financing and Insurance Operations	\$ 808	\$ 808	\$ 832	\$ 799
-------------------	---	--------	--------	--------	--------

Net income (loss) by reportable operating segment / region

Automotive and Other Operations					
GM North America (GMNA)		\$ (1,194)	\$ (1,121)	\$ 355	\$ 366
GM Europe (GME)		(89)	(112)	(45)	(62)
GM Latin America/Africa/Mid-East (GMLAAM)		33	25	10	18
GM Asia Pacific (GMAP)		(612)	(605)	259	253
Other Operations		(20)	18	(34)	65
Net income (loss)	Automotive and Other Operations	(1,882)	(1,795)	545	640
	Financing and Insurance Operations				
Net income	Financing and Insurance Operations	808	808	832	799
Net income (loss)		\$ (1,074)	\$ (987)	\$ 1,377	\$ 1,439

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 1. Financial Statement Presentation (continued)**Restatement of Financial Statements (continued)**

**SUPPLEMENTAL INFORMATION TO THE CONDENSED CONSOLIDATED STATEMENTS OF
INCOME**

	Six Months Ended June 30,			
	2005		2004	
	Previously reported	Restated (dollars in millions)	Previously reported	Restated
AUTOMOTIVE AND OTHER OPERATIONS				
Total net sales and revenues	\$ 77,481	\$ 77,481	\$ 81,339	\$ 81,339
Cost of sales and other expenses	75,767	75,866	73,690	73,725
Selling, general, and administrative expenses	6,157	6,157	6,167	6,167
Total costs and expenses	81,924	82,023	79,857	79,892
Interest expense	1,356	1,356	1,158	1,158
Net expense from transactions with Financing and Insurance Operations	187	187	127	127
Income (loss) before income taxes, equity income, and minority interests	(5,986)	(6,085)	197	162
Income tax (benefit)	(2,026)	(2,063)	(325)	(479)
Equity income (loss) and minority interests	245	245	467	467
Net income (loss) Automotive and Other Operations	\$ (3,715)	\$ (3,777)	\$ 989	\$ 1,108
FINANCING AND INSURANCE OPERATIONS				
Total revenues	\$ 16,761	\$ 16,761	\$ 15,745	\$ 15,816
Interest expense	6,035	6,035	4,465	4,465
Depreciation and amortization expense	2,802	2,802	2,663	2,722
Operating and other expenses	4,095	4,010	4,109	4,159
Provisions for financing and insurance losses	1,715	1,715	2,102	2,094
Total costs and expenses	14,647	14,562	13,339	13,440
Net income from transactions with Automotive and Other Operations	(187)	(187)	(127)	(127)
Income before income taxes, equity income and minority interests	2,301	2,386	2,533	2,503
Income tax expense	761	846	935	945

Equity income (loss) and minority interests	(3)	(3)	(2)	(2)
Net income Financing and Insurance Operations	\$ 1,537	\$ 1,537	\$ 1,596	\$ 1,556

Net income (loss) by reportable operating segment / region

Automotive and Other Operations				
GM North America (GMNA)	\$ (2,754)	\$ (2,825)	\$ 756	\$ 710
GM Europe (GME)	(614)	(659)	(161)	(171)
GM Latin America/Africa/Mid-East (GMLAAM)	79	56	11	1
GM Asia Pacific (GMAP)	(552)	(535)	534	525
Other Operations	126	186	(151)	43
Net income (loss) Automotive and Other Operations	(3,715)	(3,777)	989	1,108
Financing and Insurance Operations				
Net income Financing and Insurance Operations	1,537	1,537	1,596	1,556
Net income (loss)	\$ (2,178)	\$ (2,240)	\$ 2,585	\$ 2,664

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 1. Financial Statement Presentation (continued)**Restatement of Financial Statements (continued)****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30,			
	2005		2004	
	Previously reported	Restated	Previously reported	Restated
	(dollars in millions)			
ASSETS				
Cash and cash equivalents	\$ 32,261	\$ 32,261	\$ 29,901	\$ 29,901
Marketable securities	23,013	23,013	20,816	20,816
Total cash and marketable securities	55,274	55,274	50,717	50,717
Finance receivables net	178,137	178,137	192,023	191,563
Loans held for sale	26,903	26,903	17,393	17,393
Accounts and notes receivable (less allowances)	18,465	18,465	16,989	16,990
Inventories (less allowances)	13,350	13,350	12,274	12,274
Deferred income taxes	27,640	27,910	27,379	27,835
Net equipment on operating leases (less accumulated depreciation)	36,076	36,076	32,321	32,800
Equity in net assets of nonconsolidated affiliates	4,156	4,156	6,381	6,381
Property net	40,325	40,325	37,578	37,578
Intangible assets net	4,947	4,947	4,696	4,696
Other assets	60,512	60,458	57,709	57,709
Total assets	\$ 465,785	\$ 466,001	\$ 455,460	\$ 455,936
LIABILITIES AND STOCKHOLDERS EQUITY				
Accounts payable (principally trade)	\$ 28,694	\$ 28,694	\$ 26,377	\$ 26,377
Notes and loans payable	283,621	283,621	277,027	277,027
Postretirement benefits other than pensions	30,525	30,592	31,691	31,767
Pensions	9,722	9,712	7,559	7,559
Deferred income taxes	6,632	6,632	8,101	8,101
Accrued expenses and other liabilities	81,425	82,002	76,641	77,326
Total liabilities	440,619	441,253	427,396	428,157
Minority interests	902	902	328	328
Stockholders equity				
\$1-2/3 par value common stock (outstanding, 565,503,422 and 564,721,304 shares)	943	943	941	941
Capital surplus (principally additional paid-in capital)	15,255	15,255	15,181	15,181
Retained earnings	11,680	11,252	14,772	14,487

Edgar Filing: GENERAL MOTORS CORP - Form 10-Q/A

Subtotal	27,878	27,450	30,894	30,609
Accumulated foreign currency translation adjustments	(1,645)	(1,645)	(1,685)	(1,685)
Net unrealized gains on derivatives	331	331	369	369
Net unrealized gains on securities	687	687	557	557
Minimum pension liability adjustment	(2,987)	(2,977)	(2,399)	(2,399)
Accumulated other comprehensive loss	(3,614)	(3,604)	(3,158)	(3,158)
Total stockholders equity	24,264	23,846	27,736	27,451
Total liabilities and stockholders equity	\$ 465,785	\$ 466,001	\$ 455,460	\$ 455,936

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued
(Unaudited)

NOTE 1. Financial Statement Presentation (continued)**Restatement of Financial Statements (continued)****SUPPLEMENTAL INFORMATION TO THE CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30,			
	2005	2004		
	Previously reported	Restated	Previously reported	Restated
	(dollars in millions)			
ASSETS				
Automotive and Other Operations				
Cash and cash equivalents	\$ 12,445	\$ 12,445	\$ 13,182	\$ 13,182
Marketable securities	3,629	3,629	8,319	8,319
Total cash and marketable securities	16,074	16,074	21,501	21,501
Accounts and notes receivable (less allowances)	8,087	8,087	6,396	6,396
Inventories (less allowances)	12,818	12,818	11,576	11,576
Net equipment on operating leases (less accumulated depreciation)	6,723	6,723	6,914	6,914
Deferred income taxes and other current assets	10,570	10,516	10,876	10,876
Total current assets	54,272	54,218	57,263	57,263
Equity in net assets of nonconsolidated affiliates	4,156	4,156	6,381	6,381
Property net	38,480	38,480	35,684	35,684
Intangible assets net	1,658	1,658	1,412	1,412
Deferred income taxes	18,976	19,253	18,316	18,595
Other assets	41,415	41,415	41,657	41,657
Total Automotive and Other Operations assets	158,957	159,180	160,713	160,992
Financing and Insurance Operations				
Cash and cash equivalents	19,816	19,816	16,719	16,719
Investments in securities	19,384	19,384	12,497	12,497
Finance receivables net	178,137	178,137	192,023	191,563
Loans held for sale	26,903	26,903	17,393	17,393
Net equipment on operating leases (less accumulated depreciation)	29,353	29,353	25,407	25,886
Other assets	33,235	33,228	30,708	30,886
Net receivable from Automotive and Other Operations	2,846	2,846	2,004	2,004
Total Financing and Insurance Operations assets	309,674	309,667	296,751	296,948
Total assets	\$ 468,631	\$ 468,847	\$ 457,464	\$ 457,940

LIABILITIES AND STOCKHOLDERS EQUITY**Automotive and Other Operations**

Edgar Filing: GENERAL MOTORS CORP - Form 10-Q/A

Accounts payable (principally trade)	\$ 25,361	\$ 25,361	\$ 23,084	\$ 23,084
Loans payable	1,563	1,563	2,625	2,625
Accrued expenses	44,390	44,517	46,726	46,655
Net payable to Financing and Insurance Operations	2,846	2,846	2,004	2,004
Total current liabilities	74,160	74,287	74,439	74,368
Long-term debt	31,043	31,043	29,814	29,814
Postretirement benefits other than pensions	25,815	25,882	27,721	27,797
Pensions	9,629	9,619	7,489	7,489
Other liabilities and deferred income taxes	15,921	16,447	15,467	16,000
Total Automotive and Other Operations liabilities	156,568	157,278	154,930	155,468
Financing and Insurance Operations				
Accounts payable	3,333	3,333	3,293	3,293
Debt	251,015	251,015	244,588	244,588
Other liabilities and deferred income taxes	32,549	32,473	26,589	26,812
Total Financing and Insurance Operations liabilities	286,897	286,821	274,470	274,693
Total liabilities	443,465	444,099	429,400	430,161
Minority interests	902	902	328	328
Total stockholders' equity	24,264	23,846	27,736	27,451
Total liabilities and stockholders' equity	\$ 468,631	\$ 468,847	\$ 457,464	\$ 457,940

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 1. Financial Statement Presentation (continued)**Restatement of Financial Statements (continued)****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For The Six Months Ended June 30,			
	2005		2004	
	Previously reported	Restated	Previously reported	Restated
	(dollars in millions)			
Net cash provided by (used in) operating activities	\$ 2,489	\$ (1,781)	\$ 559	\$ (282)
Cash flows from investing activities				
Expenditures for property	(2,944)	(2,944)	(3,201)	(3,201)
Investments in marketable securities acquisitions	(10,830)	(10,830)	(6,466)	(6,466)
Investments in marketable securities liquidations	10,269	10,269	7,064	7,064
Net change in mortgage servicing rights	(784)	(185)	(816)	(176)
Increase in finance receivables	(5,970)	(2,569)	(17,556)	(17,486)
Proceeds from sales of finance receivables	17,692	17,692	9,012	9,012
Operating leases acquisitions	(8,378)	(8,378)	(7,118)	(7,118)
Operating leases liquidations	3,258	3,258	3,992	3,992
Investments in companies, net of cash acquired	1,355	1,355	(32)	(32)
Other	(2,411)	(2,141)	982	1,113
Net cash provided by (used in) investing activities	1,257	5,527	(14,139)	(13,298)
Cash flows from financing activities				
Net increase (decrease) in loans payable	(8,411)	(8,411)	2,137	2,137
Long-term debt borrowings	30,440	30,440	37,784	37,784
Long-term debt repayments	(32,144)	(32,144)	(30,986)	(30,986)
Cash dividends paid to stockholders	(570)	(570)	(564)	(564)
Other	3,619	3,619	2,804	2,804
Net cash provided by (used in) financing activities	(7,066)	(7,066)	11,175	11,175
Effect of exchange rate changes on cash and cash equivalents	(412)	(412)	(248)	(248)
Net decrease in cash and cash equivalents	(3,732)	(3,732)	(2,653)	(2,653)
Cash and cash equivalents at beginning of the period	35,993	35,993	32,554	32,554
Cash and cash equivalents at end of the period	\$ 32,261	\$ 32,261	\$ 29,901	\$ 29,901

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 1. Financial Statement Presentation (continued)**Restatement of Financial Statements (continued)**

SUPPLEMENTAL INFORMATION TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Six Months Ended June 30, 2005			
	Automotive and Other Operations		Financing and Insurance	
	Previously reported	Restated	Previously reported	Restated
	(dollars in millions)			
Net cash provided by (used in) operating activities	\$ (2,138)	\$ (2,138)	\$ 4,627	\$ 357
Cash flows from investing activities				
Expenditures for property	(2,813)	(2,813)	(131)	(131)
Investments in marketable securities acquisitions	(271)	(271)	(10,559)	(10,559)
Investments in marketable securities liquidations	3,137	3,137	7,132	7,132
Net change in mortgage servicing rights			(784)	(185)
Increase in finance receivables			(5,970)	(2,569)
Proceeds from sales of finance receivables			17,692	17,692
Operating leases acquisitions			(8,378)	(8,378)
Operating leases liquidations			3,258	3,258
Net investing activity with Financing and Insurance Operations	1,000	1,000		
Investments in companies, net of cash acquired	1,355	1,355		
Other	(591)	(591)	(1,820)	(1,550)
Net cash provided by (used in) investing activities	1,817	1,817	440	4,710
Cash flows from financing activities				
Net increase (decrease) in loans payable	46	46	(8,457)	(8,457)
Long-term debt borrowings	25	25	30,415	30,415
Long-term debt repayments	(20)	(20)	(32,124)	(32,124)
Net financing activity with Automotive and Other Operations			(1,000)	(1,000)
Cash dividends paid to stockholders	(570)	(570)		
Other			3,619	3,619
Net cash provided by (used in) financing activities	(519)	(519)	(7,547)	(7,547)
Effect of exchange rate changes on cash and cash equivalents	(283)	(283)	(129)	(129)
Net transactions with Automotive/Financing Operations	420	420	(420)	(420)
Net increase (decrease) in cash and cash equivalents	(703)	(703)	(3,029)	(3,029)
Cash and cash equivalents at beginning of the year	13,148	13,148	22,845	22,845

Cash and cash equivalents at end of the year	\$ 12,445	\$ 12,445	\$ 19,816	\$ 19,816
---	-----------	-----------	-----------	-----------

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 1. Financial Statement Presentation (continued)**Restatement of Financial Statements (continued)**

SUPPLEMENTAL INFORMATION TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Six Months Ended June 30, 2004			
	Automotive and Other Operations		Financing and Insurance	
	Previously reported	Restated	Previously reported	Restated
	(dollars in millions)			
Net cash provided by (used in) operating activities	\$ 955	\$ 955	\$ (396)	\$ (1,237)
Cash flows from investing activities				
Expenditures for property	(3,038)	(3,038)	(163)	(163)
Investments in marketable securities acquisitions	(855)	(855)	(5,611)	(5,611)
Investments in marketable securities liquidations	1,603	1,603	5,461	5,461
Net change in mortgage servicing rights			(816)	(176)
Increase in finance receivables			(17,556)	(17,486)
Proceeds from sales of finance receivables			9,012	9,012
Operating leases acquisitions			(7,118)	(7,118)
Operating leases liquidations			3,992	3,992
Net investing activity with Financing and Insurance Operations				
Investments in companies, net of cash acquired	(53)	(53)	21	21
Other	110	110	872	1,003
Net cash provided by (used in) investing activities	(2,233)	(2,233)	(11,906)	(11,065)
Cash flows from financing activities				
Net increase (decrease) in loans payable	(437)	(437)	2,574	2,574
Long-term debt borrowings	756	756	37,028	37,028
Long-term debt repayments	(55)	(55)	(30,931)	(30,931)
Net financing activity with Automotive and Other Operations				
Cash dividends paid to stockholders	(564)	(564)		
Other			2,804	2,804
Net cash provided by (used in) financing activities	(300)	(300)	11,475	11,475
Effect of exchange rate changes on cash and cash equivalents	(176)	(176)	(72)	(72)
Net transactions with Automotive/Financing Operations	512	512	(512)	(512)
Net increase (decrease) in cash and cash equivalents	(1,242)	(1,242)	(1,411)	(1,411)
Cash and cash equivalents at beginning of the year	14,424	14,424	18,130	18,130

Cash and cash equivalents at end of the year	\$ 13,182	\$ 13,182	\$ 16,719	\$ 16,719
---	-----------	-----------	-----------	-----------

Presentation of Delphi Receivable

As of June 30, 2005 GM's Condensed Consolidated Balance Sheet reflects a change in presentation of a receivable due from Delphi Corporation (Delphi). The receivable represents amounts that Delphi owes to GM for OPEB relating to Delphi employees who were formerly GM employees and subsequently transferred back to GM as job openings at GM became available to them under certain employee flowback arrangements included in the 1999 Separation Agreement between GM and Delphi. GM is responsible to pay for the OPEB of the subject employees. In accordance with the terms of the 1999 Separation Agreement, Delphi will compensate GM for the total OPEB attributable to services rendered by the subject employees from their original GM service date through the date the subject employees flowed back to GM from Delphi. In prior periods this amount was netted against the OPEB liability carried on GM's balance sheet. As a result of the change in presentation, GM's June 30, 2005 Consolidated Balance Sheet reflects an \$819 million increase in the amount presented under Other Assets and a corresponding liability increase under Postretirement Benefits Other than Pensions. Cash settlement between GM and Delphi with respect to this receivable is scheduled to occur at the time of the employees' estimated retirement dates. GM has the right to offset the amounts owed by Delphi under this arrangement against amounts GM owes to Delphi for the purchase of Delphi products. At June 30, 2005, GM owed approximately \$1.8 billion to Delphi for such purchases in North America.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued
(Unaudited)

NOTE 1. Financial Statement Presentation (concluded)

New Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) revised Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS No. 123R), requiring companies to record share-based payment transactions as compensation expense at fair market value. SFAS No. 123R further defines the concept of fair market value as it relates to such arrangements. Based on SEC guidance issued in Staff Accounting Bulletin (SAB) 107 in April 2005, the provisions of this statement will be effective for General Motors as of January 1, 2006. The Corporation began expensing the fair market value of newly granted stock options and other stock based compensation awards to employees pursuant to SFAS No. 123 in 2003; therefore this statement is not expected to have a material effect on GM's consolidated financial position or results of operations.

In April 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, requiring retrospective application as the required method for reporting a change in accounting principle, unless impracticable or a pronouncement includes specific transition provisions. This statement also requires that a change in depreciation, amortization, or depletion method for long-lived, nonfinancial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. This statement carries forward the guidance in APB Opinion No. 20, Accounting Changes, for the reporting of the correction of an error and a change in accounting estimate. This statement is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005.

NOTE 2. Acquisition and Disposal of Businesses

On February 3, 2005, GM completed the purchase of 16.6 million newly-issued shares of common stock in GM Daewoo Auto & Technology Company (GM Daewoo, formerly referred to as GM-DAT) for approximately \$49 million. This increased GM's ownership in GM Daewoo to 48.2% from 44.6%. No other shareholders in GM Daewoo participated in the issue. On June 28, 2005, GM purchased from Suzuki Motor Corporation (Suzuki) 6.9 million shares of outstanding common stock in GM Daewoo for approximately \$21 million. This increased GM's ownership in GM Daewoo to 50.9%. Accordingly, as of June 30, 2005, GM Daewoo was consolidated by GM. This increased GM's total assets and liabilities by approximately \$4.7 billion and \$4.5 billion, respectively, including one-time increases of \$1.6 billion of cash and marketable securities and \$1.3 billion of long-term debt. GM has not yet completed its allocation of the total purchase price of GM Daewoo to its net assets.

The following unaudited financial information for the three and six months ended June 30, 2005 and 2004 represents amounts attributable to GM Daewoo on a basis consistent with giving effect to the increased ownership and consolidation as of January 1, 2004 (dollars in millions). The pro forma effect on net income is not significant compared to equity income recognized.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 2. Acquisition and Disposal of Businesses (concluded)

	Pro-forma		Pro-forma	
	Three Months Ended		Six Months Ended	
	June 30,		June 30	
	2005	2004	2005	2004
Total net sales and revenues	\$ 1,497	\$ 1,047	\$ 2,668	\$ 2,039
Income (loss) before income taxes, equity income and minority interests	\$ 59	\$ 34	\$ 43	\$ 18

On February 13, 2005, GM entered into certain agreements with Fiat S.p.A. (Fiat), under which GM and Fiat would terminate and liquidate all joint ventures between them and GM would acquire certain strategic assets from Fiat. Effective May 13, 2005 the liquidation of these joint ventures and GM's acquisition of certain strategic assets from Fiat was completed. As a result, GM regained complete ownership of all of its respective assets originally contributed to each joint venture. GM acquired a 50 percent interest in a new joint venture limited to operating the powertrain manufacturing plant in Bielsko-Biala, Poland, that currently produces the 1.3 liter SDE diesel engine, and GM will co-own with Fiat key powertrain intellectual property, including the SDE and JTD diesel engines and the M20-32 six-speed manual transmission.

On April 4, 2005, GM completed the sale of Electro-Motive Division (EMD) to an investor group led by Greenbriar Equity Group LLC and Berkshire Partners LLC. The sale covered substantially all of the EMD businesses, and both the LaGrange, Illinois and London, Ontario manufacturing facilities. This transaction did not have a material effect on GM's consolidated financial position or results of operations. The final consideration is contingent upon a closing date balance sheet audit.

NOTE 3. Inventories

Inventories included the following (dollars in millions):

	June 30, 2005	Dec. 31, 2004	June 30, 2004
Automotive and Other Operations			
Productive material, work in process, and supplies	\$ 5,364	\$ 4,838	\$ 5,324
Finished product, service parts, etc.	8,757	8,321	7,838
Total inventories at FIFO	14,121	13,159	13,162
Less LIFO allowance	(1,303)	(1,442)	(1,586)
Total inventories (less allowances)	\$ 12,818	\$ 11,717	\$ 11,576
Financing and Insurance Operations			
Off-lease vehicles	532	530	698
Total consolidated inventories (less allowances)	\$ 13,350	\$ 12,247	\$ 12,274

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 4. Goodwill and Acquired Intangible Assets

The components of the Corporation's acquired intangible assets as of June 30, 2005, and 2004 were as follows (dollars in millions):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2005			
Automotive and Other Operations			
Amortizing intangible assets:			
Patents and intellectual property rights	\$ 510	\$ 93	\$ 417
Non-amortizing intangible assets:			
Goodwill			526
Pension intangible asset			715
Total goodwill and intangible assets			\$ 1,658
Financing and Insurance Operations			
Amortizing intangible assets:			
Customer lists and contracts	\$ 74	\$ 45	29
Trademarks and other	40	22	18
Covenants not to compete	18	18	
Total	\$ 132	\$ 85	\$ 47
Non-amortizing intangible assets:			
Goodwill			3,242
Total goodwill and intangible assets			3,289
Total consolidated goodwill and intangible assets			\$ 4,947
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
June 30, 2004			
Automotive and Other Operations			
Amortizing intangible assets:			
Patents and intellectual property rights	\$ 303	\$ 50	\$ 253
Non-amortizing intangible assets:			
Goodwill			540
Pension intangible asset			619

Total goodwill and intangible assets \$ 1,412

Financing and Insurance Operations

Amortizing intangible assets:

Customer lists and contracts	\$ 65	\$ 35	30
Trademarks and other	40	18	22
Covenants not to compete	18	18	

Total	\$ 123	\$ 71	\$ 52
-------	--------	-------	-------

Non-amortizing intangible assets:

Goodwill	3,232
----------	-------

Total goodwill and intangible assets	3,284
--------------------------------------	-------

Total consolidated goodwill and intangible assets	\$ 4,696
---	----------

Annual amortization expense relating to the existing intangible assets for each of the next five years is estimated at \$33 million to \$61 million.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 4. Goodwill and Acquired Intangible Assets (concluded)

The changes in the carrying amounts of goodwill for the six months ended June 30, 2005, and 2004, were as follows (dollars in millions):

	GMNA	GME	Total Auto & Other	GMAC	Total GM
Balance as of December 31, 2004	\$ 154	\$ 446	\$ 600	\$ 3,274	\$ 3,874
Goodwill acquired during the period				3	3
Effect of foreign currency translation	(7)	(67)	(74)	(35)	(109)
Balance as of June 30, 2005	\$ 147	\$ 379	\$ 526	\$ 3,242	\$ 3,768
Balance as of December 31, 2003	\$ 154	\$ 413	\$ 567	\$ 3,223	\$ 3,790
Goodwill acquired during the period				5	5
Effect of foreign currency translation	(2)	(20)	(22)	4	(18)
Other	(5)		(5)		(5)
Balance as of June 30, 2004	\$ 147	\$ 393	\$ 540	\$ 3,232	\$ 3,772

NOTE 5. Investment in Nonconsolidated Affiliates

Nonconsolidated affiliates of GM identified herein are those entities in which GM owns an equity interest and for which GM uses the equity method of accounting, because GM has the ability to exert significant influence over decisions relating to their operating and financial affairs. GM's significant affiliates, and the percent of GM's current equity ownership, or voting interest, in them include the following: Japan—FHI (20.1% at June 30, 2005 and 2004), Suzuki Motor Corporation (20.2% at June 30, 2005 and 20.3% at June 30, 2004); China—Shanghai General Motors Co., Ltd (50% at June 30, 2005 and 2004), SAIC GM Wuling Automobile Co., Ltd (34% at June 30, 2005 and 2004); Korea—GM Daewoo (50.9% at June 30, 2005 and 44.6% at June 30, 2004) With the increase in ownership, GM Daewoo was consolidated by GM at June 30, 2005—see Note 2; Italy—GM-Fiat Powertrain (FGP) (50% at March 31, 2004).

Information regarding GM's share of income for all nonconsolidated affiliates (as defined above) in the following countries is included in the table below (in millions):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Italy	\$11	\$ 11	\$ 32	\$ 29
Japan	\$45	\$ 53	\$ 95	\$ 159
China	\$99	\$148	\$132	\$310
Korea	\$25	\$ 15	\$ 17	\$ 7

On February 13, 2005, GM entered into certain agreements with Fiat, under which GM and Fiat have terminated and liquidated all joint ventures between them in existence at that time—see Note 2. Separately, during the second quarter of 2005, GM entered into a new joint venture with Fiat in Poland, GM Fiat Powertrain Polska, with each party owning 50% of the joint venture.

GM determined that, as of the end of the second quarter of 2005, the value of its investment in the common stock of FHI was impaired on an other than temporary basis. The write-down due to this impairment was \$788 million, after tax, included in cost of sales and other expenses. See Note 1.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 6. Product Warranty Liability

Policy, product warranty, and recall campaigns liability included the following (dollars in millions):

	Six Months Ended June 30, 2005	Twelve Months Ended Dec. 31, 2004	Six Months Ended June 30, 2004
Beginning balance	\$ 9,315	\$ 8,832	\$ 8,832
Payments	(2,366)	(4,669)	(2,290)
Increase in liability (warranties issued during period)	2,867	5,065	2,794
Adjustments to liability (pre-existing warranties)	(264)	(85)	(157)
Effect of foreign currency translation and other adjustments	(263)	_ 172	(23)
Ending balance	\$ 9,289	\$ 9,315	\$ 9,156

Warranty liability amounts in the table above have been revised to include amounts with respect to certified-used vehicles. December 31 and June 30, 2004 balances have been revised accordingly to provide a comparative basis.

NOTE 7. Commitments and Contingent Matters*Commitments*

GM has guarantees related to its performance under operating lease arrangements and the residual value of lease assets totaling \$639 million. Expiration dates vary, and certain leases contain renewal options. The fair value of the underlying assets is expected to fully mitigate GM's obligations under these guarantees. Accordingly, no liabilities were recorded with respect to such guarantees.

Also, GM has entered into agreements with certain suppliers and service providers that guarantee the value of the suppliers' assets and agreements with third parties that guarantee fulfillment of certain suppliers' commitments. The maximum exposure under these commitments amounts to \$154 million.

The Corporation has guaranteed certain amounts related to the securitization of mortgage loans. In addition, GMAC issues financial standby letters of credit as part of their financing and mortgage operations. At June 30, 2005 approximately \$32 million was recorded with respect to these guarantees, the maximum exposure under which is approximately \$7.4 billion.

In addition to guarantees, GM has entered into agreements indemnifying certain parties with respect to environmental conditions pertaining to ongoing or sold GM properties. Due to the nature of the indemnifications, GM's maximum exposure under these agreements cannot be estimated. No amounts have been recorded for such indemnities.

In connection with the Delphi spinoff, completed May 28, 1999, GM has provided limited guarantees with respect to benefits for former GM employees relating to pensions, post-retirement healthcare, and life insurance. In addition, GM has provided limited guarantees with respect to benefits for former GM employees relating to pensions, post-retirement healthcare, and life insurance in connection with certain other divestitures. Due to the nature of these indemnities, the maximum exposure under these agreements cannot be estimated. No amounts have been recorded for such indemnities as the Corporation's obligations under them are not probable and estimable. Delphi has given GM an indemnification with respect to all amounts for which GM may be obligated under the guarantee obligation GM has with respect to employees of Delphi.

In addition to the above, in the normal course of business GM periodically enters into agreements that incorporate indemnification provisions. While the maximum amount to which GM may be exposed under such agreements cannot be estimated, it is the opinion of management that these guarantees and indemnifications are not expected to have a

material adverse effect on the Corporation's consolidated financial position or results of operations.

Contingent Matters

Litigation is subject to uncertainties and the outcome of individual litigated matters is not predictable with assurance. Various legal actions, governmental investigations, claims, and proceedings are pending against the Corporation, including those arising out of alleged product defects; employment-related matters; governmental regulations relating to safety, emissions, and fuel economy; product warranties; financial services; dealer, supplier, and other contractual relationships; and environmental matters.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 7. Commitments and Contingent Matters (concluded)

GM has established reserves for matters in which losses are probable and can be reasonably estimated. Some of the matters may involve compensatory, punitive, or other treble damage claims, or demands for recall campaigns, environmental remediation programs, or sanctions, that if granted, could require the Corporation to pay damages or make other expenditures in amounts that could not be estimated at June 30, 2005. After discussion with counsel, it is the opinion of management that such liability is not expected to have a material adverse effect on the Corporation's consolidated financial condition or results of operations.

NOTE 8. Comprehensive Income (Loss)

GM's total comprehensive income (loss), net of tax, was as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30	
	2005	2004	2005	2004
Net income (loss)	\$ (987)	\$ 1,439	\$ (2,240)	\$ 2,664
Other comprehensive income (loss)	7	302	(719)	448
Total	\$ (980)	\$ 1,741	\$ (2,959)	\$ 3,112

NOTE 9. Earnings Per Share Attributable to Common Stock

The reconciliation of the amounts used in the basic and diluted earnings per share computations was as follows (in millions except per share amounts):

	\$1-2/3 Par Value Common Stock		
	Income (Loss)	Shares	Per Share Amount
Three Months Ended June 30, 2005			
Basic EPS			
(Losses) attributable to common stock	\$ (987)	565	\$ (1.75)
Effect of Dilutive Securities			
Assumed exercise of dilutive stock options			
Diluted EPS			
Adjusted (losses) attributable to common stock	\$ (987)	565	\$ (1.75)
Three Months Ended June 30, 2004			
Basic EPS			
Earnings attributable to common stock	\$ 1,439	565	\$ 2.55
Effect of Dilutive Securities			
Assumed exercise of dilutive stock options		3	(0.02)
Diluted EPS			
Adjusted earnings attributable to common stock	\$ 1,439	568	\$ 2.53

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 9. Earnings Per Share Attributable to Common Stock (concluded)

	\$1-2/3 Par Value Common Stock		
	Income (Loss)	Shares	Per Share Amount
Six Months Ended June 30, 2005			
Basic EPS			
(Losses) attributable to common stock	\$ (2,240)	565	\$ (3.96)
Effect of Dilutive Securities			
Assumed exercise of dilutive stock options			
Diluted EPS			
Adjusted (losses) attributable to common stock	\$ (2,240)	565	\$ (3.96)
Six Months Ended June 30, 2004			
Basic EPS			
Earnings attributable to common stock	\$ 2,664	565	\$ 4.72
Effect of Dilutive Securities			
Assumed exercise of dilutive stock options		4	(0.04)
Diluted EPS			
Adjusted earnings attributable to common stock	\$ 2,664	569	\$ 4.68

Certain stock options and convertible securities were not included in the computation of diluted earnings per share for the periods presented since the instruments underlying exercise prices were greater than the average market prices of GM \$1-2/3 par value common stock and inclusion would be antidilutive. Such shares not included in the computation of diluted earnings per share were 112 million as of June 30, 2005 and 223 million as of June 30, 2004. In addition, for periods in which there was a loss attributable to common stocks, options to purchase shares of GM \$1-2/3 par value common stock with underlying exercise prices less than the average market prices were outstanding, but were excluded from the calculations of diluted loss per share, as inclusion of these securities would have reduced the net loss per share.

NOTE 10. Depreciation and Amortization

Depreciation and amortization included in cost of sales and other expenses and selling, general and administrative expenses for Automotive and Other Operations was as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Depreciation	\$ 1,292	\$ 1,441	\$ 2,562	\$ 2,589
Amortization of special tools	803	774	1,619	1,500
Amortization of intangible assets	13	9	23	16
Total	\$ 2,108	\$ 2,224	\$ 4,204	\$ 4,105

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 11. Pensions and Other Postretirement Benefits

	U.S. Plans Pension Benefits		Non-U.S. Plans Pension Benefits		Other Benefits	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2005	2004	2005	2004	2005	2004
	(dollars in millions)					
Components of expense						
Service cost	\$ 279	\$ 275	\$ 70	\$ 60	\$ 188	\$ 149
Interest cost	1,221	1,263	235	216	1,079	967
Expected return on plan assets	(1,974)	(1,955)	(182)	(163)	(421)	(274)
Amortization of prior service cost	291	319	26	23	(15)	(20)
Recognized net actuarial loss	517	464	69	47	584	276
Curtailments, settlements, and other	21		25	1	2	
Net expense	\$ 355	\$ 366	\$ 243	\$ 184	\$ 1,417	\$ 1,098
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004	2005	2004
	(dollars in millions)					
Components of expense						
Service cost	\$ 559	\$ 548	\$ 142	\$ 122	\$ 376	\$ 306
Interest cost	2,442	2,523	476	439	2,160	1,984
Expected return on plan assets	(3,948)	(3,908)	(367)	(326)	(842)	(547)
Amortization of prior service cost	582	638	53	47	(31)	(40)
Recognized net actuarial loss	1,033	928	138	95	1,168	648
Curtailments, settlements, and other	112	34	84	8	2	
Net expense	\$ 780	\$ 763	\$ 526	\$ 385	\$ 2,833	\$ 2,351

During the second quarter of 2005, GM withdrew \$1 billion from its Voluntary Employees Beneficiary Association (VEBA) trust as a reimbursement for its retiree health care payments. On July 1, 2005, GM withdrew an additional \$1 billion from the VEBA, and on a quarter-by-quarter basis is evaluating the need for additional withdrawals as the cost of health care continues to adversely affect GM's liquidity.

NOTE 12. 2005 Initiatives

Results in the first quarter of 2005 include after-tax charges of \$140 million recorded in GMNA and \$8 million recorded in Other Operations related to voluntary early retirement and other separation programs with respect to certain salaried employees in the U.S.

GMNA results in the first quarter of 2005 include a charge of \$84 million, after tax, for the write-down to fair market value of various plant assets in connection with the first quarter announcement to discontinue production at the Lansing assembly plant during the second quarter of 2005.

GME results in the first and second quarters of 2005 include after-tax separation charges of \$422 million and \$126 million, respectively, related to the restructuring plan announced in the fourth quarter of 2004. This plan targets a reduction in annual structural costs of an estimated \$600 million by 2006. A total reduction of 12,000 employees, including 10,000 in Germany, over the period 2005 through 2007 through separation programs, early retirements, and selected outsourcing initiatives is expected. The charge incurred in the first quarter of 2005 covers approximately 5,650 people, of whom 4,900 are in Germany. The charge in the second quarter of 2005 covers approximately 600 additional people, as well as those charges related to previous separations that are required to be amortized over future periods, and costs related to the dissolution of the FGP joint ventures.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

NOTE 13. Segment Reporting

	GMNA	GME	GMLA	AMG	MAP	Total GMA	Other	Auto & Other	GMAC	Other Financing	Total Financing
	(dollars in millions)										
For the Three Months Ended June 30, 2005											
Manufactured products sales and revenues:											
External customers	\$ 28,038	\$ 8,025	\$ 2,742	\$ 1,640	\$ 40,445	\$ (267)	\$ 40,178	\$ 8,319	\$ (28)	\$ 8,291	
Intersegment	(913)	438	193	282		-					
Total manufactured products	\$ 27,125	\$ 8,463	\$ 2,935	\$ 1,922	\$ 40,445	\$ (267)	\$ 40,178	\$ 8,319	\$ (28)	\$ 8,291	
Interest income (a)	\$ 318	\$ 112	\$ 10	\$ 2	\$ 442	\$ (252)	\$ 190	\$ 432	\$ (70)	\$ 362	
Interest expense	\$ 755	\$ 132	\$ 38	\$ 9	\$ 934	\$ (263)	\$ 671	\$ 3,050	\$ (9)	\$ 3,041	
Net income (loss)	\$ (1,121)	\$ (112)	\$ 25	\$ (605)	\$ (1,813)	\$ 18	\$ (1,795)	\$ 816	\$ (8)	\$ 808	
Segment assets	\$ 124,324	\$ 24,211	\$ 4,869	\$ 9,356	\$ 162,760	\$ (3,580)	\$ 159,180	\$ 309,984	\$ (317)	\$ 309,667	
For the Three Months Ended June 30, 2004											
Manufactured products sales and revenues:											
External customers	\$ 29,988	\$ 7,917	\$ 1,764	\$ 1,456	\$ 41,125	\$ 77	\$ 41,202	\$ 7,742	\$ 349	\$ 8,091	
Intersegment	(559)	177	145	237							
Total manufactured products	\$ 29,429	\$ 8,094	\$ 1,909	\$ 1,693	\$ 41,125	\$ 77	\$ 41,202	\$ 7,742	\$ 349	\$ 8,091	
	\$ 212	\$ 92	\$ (3)	\$ 4	\$ 305	\$ (170)	\$ 135	\$ 329	\$ (68)	\$ 261	

Edgar Filing: GENERAL MOTORS CORP - Form 10-Q/A

Interest income (a)												
Interest expense	\$ 655	\$ 88	\$ 16	\$ 5	\$ 764	\$ (168)	\$ 596	\$ 2,253	\$ (10)	\$ 2,243		
Net income (loss)	\$ 366	\$ (62)	\$ 18	\$ 253	\$ 575	\$ 65	\$ 640	\$ 813	\$ (14)	\$ 799		
Segment assets	\$ 129,986	\$ 24,956	\$ 3,666	\$ 3,879	\$ 162,487	\$ (1,495)	\$ 160,992	\$ 297,165	\$ (217)	\$ 296,948		

For the Six Months Ended June 30, 2005

Manufactured products sales and revenues:

External customers	\$ 54,123	\$ 15,598	\$ 4,876	\$ 3,175	\$ 77,772	\$ (291)	\$ 77,481	\$ 16,540	\$ 221	\$ 16,761		
Intersegment	(1,620)	822	358	441	1	(1)						

Total manufactured products	\$ 52,503	\$ 16,420	\$ 5,234	\$ 3,616	\$ 77,773	\$ (292)	\$ 77,481	\$ 16,540	\$ 221	\$ 16,761		
-----------------------------	-----------	-----------	----------	----------	-----------	----------	-----------	-----------	--------	-----------	--	--

Interest income (a)	\$ 614	\$ 203	\$ 29	\$ 5	\$ 851	\$ (452)	\$ 399	\$ 909	\$ (164)	\$ 745		
Interest expense	\$ 1,513	\$ 243	\$ 62	\$ 16	\$ 1,834	\$ (478)	\$ 1,356	\$ 6,051	\$ (16)	\$ 6,035		
Net income (loss)	\$ (2,825)	\$ (659)	\$ 56	\$ (535)	\$ (3,963)	\$ 186	\$ (3,777)	\$ 1,544	\$ (7)	\$ 1,537		

For the Six Months Ended June 30, 2004

Manufactured products sales and revenues:

External customers	\$ 59,631	\$ 15,195	\$ 3,493	\$ 2,884	\$ 81,203	\$ 136	\$ 81,339	\$ 15,344	\$ 472	\$ 15,816		
Intersegment	(1,099)	442	249	408								

Total manufactured products	\$ 58,532	\$ 15,637	\$ 3,742	\$ 3,292	\$ 81,203	\$ 136	\$ 81,339	\$ 15,344	\$ 472	\$ 15,816		
-----------------------------	-----------	-----------	----------	----------	-----------	--------	-----------	-----------	--------	-----------	--	--

Interest income (a)	\$ 398	\$ 173	\$ 8	\$ 6	\$ 585	\$ (293)	\$ 292	\$ 662	\$ (137)	\$ 525		
Interest expense	\$ 1,294	\$ 175	\$ 10	\$ 12	\$ 1,491	\$ (333)	\$ 1,158	\$ 4,476	\$ (11)	\$ 4,465		
Net income (loss)	\$ 710	\$ (171)	\$ 1	\$ 525	\$ 1,065	\$ 43	\$ 1,108	\$ 1,570	\$ (14)	\$ 1,556		

- (a) Interest income is included in net sales and revenues from external customers.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **concluded**
(Unaudited)

Note 14. Subsequent Event

On August 3, 2005, GMAC announced that it had entered into a definitive binding agreement to sell a 60% equity interest in GMAC Commercial Holding Corp. (GMAC Commercial Mortgage). The transaction will allow GMAC Commercial Mortgage increased access to capital for continued growth of its business and GMAC to retain a significant economic interest. The transaction closing is contingent upon GMAC Commercial Mortgage securing an investment grade senior debt rating by Standard & Poor's, Moody's, and Fitch. It is expected that the transaction will be completed during the fourth quarter of 2005, subject to all necessary conditions and approvals.

30

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with the December 31, 2004 consolidated financial statements and notes thereto (the 2004 Consolidated Financial Statements), along with the MD&A included in General Motors Corporation's (the Corporation, General Motors, or GM) 2004 Annual Report on Form 10-K, as amended, filed separately with the U.S. Securities and Exchange Commission (SEC). All earnings per share amounts included in the MD&A are reported on a fully diluted basis.

GM presents separate supplemental financial information for its reportable operating segments:

Automotive and Other Operations (Auto & Other); and

Financing and Insurance Operations (FIO).

GM's Auto & Other reportable operating segment consists of:

GM's four automotive regions: GM North America (GMNA), GM Europe (GME), GM Latin America/Africa/Mid-East (GMLAAM), and GM Asia Pacific (GMAP), which constitute GM Automotive (GMA); and

Other, which includes the elimination of intersegment transactions, certain non-segment specific revenues and expenditures, including legacy costs related to postretirement benefits for certain Delphi and other retirees, and certain corporate activities.

GM's FIO reportable operating segment consists of GMAC and Other Financing, which includes financing entities that are not consolidated by GMAC.

The disaggregated financial results for GMA have been prepared using a management approach, which is consistent with the basis and manner in which GM management internally disaggregates financial information for the purpose of assisting in making internal operating decisions. In this regard, certain common expenses were allocated among regions less precisely than would be required for stand-alone financial information prepared in accordance with accounting principles generally accepted in the U.S. (GAAP). The financial results represent the historical information used by management for internal decision-making purposes; therefore, other data prepared to represent the way in which the business will operate in the future, or data prepared in accordance with GAAP, may be materially different.

Consistent with industry practice, market share information employs estimates of sales in certain countries where public reporting is not legally required or otherwise available on a consistent basis.

The accompanying MD&A gives effect to the restatements of the 2005 and 2004 Quarterly Condensed Consolidated Financial Statements discussed in Note 1 to the Consolidated Financial Statements.

Table of Contents**GENERAL MOTORS CORPORATION AND SUBSIDIARIES****RESULTS OF OPERATIONS****Consolidated Results**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(dollars in millions)			
Consolidated:				
Total net sales and revenues	\$48,469	\$49,293	\$94,242	\$97,155
Net income (loss)	\$ (987)	\$ 1,439	\$ (2,240)	\$ 2,664
Net margin	(2.0)%	2.9%	(2.4)%	2.7%
Automotive and Other Operations:				
Total net sales and revenues	\$40,178	\$41,202	\$77,481	\$81,339
Net income (loss)	\$ (1,795)	\$ 640	\$ (3,777)	\$ 1,108
Financing and Insurance Operations:				
Total revenues	\$ 8,291	\$ 8,091	\$16,761	\$15,816
Net income	\$ 808	\$ 799	\$ 1,537	\$ 1,556

The decrease in second quarter 2005 total net sales and revenues, compared with second quarter 2004, was due to decreased GMA revenue of \$680 million, primarily driven by lower production volume and unfavorable product mix at GMNA, partly offset by revenue increases in all other automotive regions. FIO revenue increased \$200 million.

Consolidated net income decreased \$2.4 billion to a net loss of \$987 million in the second quarter of 2005, compared to income of \$1.4 billion in the second quarter of 2004. The net loss at Auto & Other of \$1.8 billion is primarily attributable to GMNA, which had a net loss of \$1.1 billion, and GME and GMAP, which had respective net losses of \$112 million and \$605 million, partially offset by net income at GMLAAM. GMAC earned \$816 million in the second quarter of 2005, up \$3 million from the 2004 level.

For the six months ended June 30, 2005, GM incurred a net loss of \$2.2 billion, compared with net income of \$2.7 billion in 2004. A significant loss at GMNA, primarily due to lower production volume, weaker product mix, material cost pressure, and higher healthcare costs, is the primary reason for the overall net loss for the first half of the year.

On a consolidated basis, GM recognized a net tax benefit of \$245 million on a loss before taxes, equity income, and minority interests of \$1.4 billion, resulting in an effective tax rate for the second quarter of 2005 of 17%. For the second quarter of 2005, GM's income tax provision was based on the total of pre-tax income at statutory tax rates plus one-fourth of these expected benefits. Taxes were allocated to GM's automotive regions based on tax rates used by management for evaluating their performance. Tax benefits in excess of those recognized in GMA are allocated to Other Operations

Second quarter 2005 results, compared to second quarter 2004, included:

Global automotive market share increased 0.5 percentage point to 15.2%;

GMNA incurred a significant loss due to lower volumes, unfavorable mix, material cost pressure, and increased health-care expense;

GME achieved improved operating results, which were more than offset by a restructuring charge related to ongoing initiatives;

GMLAAM was profitable for the fifth consecutive quarter;

GMAP incurred a net loss primarily as a result of a one-time write down of the investment in Fuji Heavy Industries Ltd. (FHI) due to FHI's declining financial performance and the downward adjustments in their business plan in May 2005. In addition to the write down, operating results of GMAP were lower than 2004 because of conditions in China and lower income at GM Holden;

GMAC earned significant net income despite a lower net interest margin environment.

Table of Contents**GENERAL MOTORS CORPORATION AND SUBSIDIARIES****GM Automotive and Other Operations Financial Review**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
	(dollars in millions)			
Auto & Other:				
Total net sales and revenues	\$ 40,178	\$ 41,202	\$ 77,481	\$ 81,339
Net income (loss)	\$ (1,795)	\$ 640	\$ (3,777)	\$ 1,108
GMA net income (loss) by region:				
GMNA	\$ (1,121)	\$ 366	\$ (2,825)	\$ 710
GME	(112)	(62)	(659)	(171)
GMLAAM	25	18	56	1
GMAP	(605)	253	(535)	525
Net income (loss)	\$ (1,813)	\$ 575	\$ (3,963)	\$ 1,065
Net margin	(4.5)%	1.4%	(5.1)%	1.3%
GM global automotive market share	15.2%	14.7%	14.3%	14.1%
Other:				
Net income (loss)	\$ 18	\$ 65	\$ 186	\$ 43

GM Auto & Other net sales and revenues declined \$1.0 billion, or 2.5%, in the second quarter of 2005, compared to the year-earlier quarter. The decrease was more than accounted for by a 7.8% decline in GMNA's total revenues, while all other regions increased revenues over the second quarter of 2004. GM's global market share was 15.2% and 14.7% for the second quarters of 2005 and 2004, respectively. GMNA's market share increased 1.1 percentage points, to 27.3% for the quarter, compared to 2004. Market share gains were achieved in GMLAAM and GMAP, while GME's share remained unchanged despite an increase in sales volume. See discussion below under each region.

GMA incurred a net loss of \$1.8 billion in the second quarter 2005, compared to net income of \$575 million in 2004, primarily due to a substantial loss at GMNA, a restructuring charge at GME, and the write down of GM's investment in FHI.

For the six months ended June 30, 2005, GMA total net sales and revenues decreased \$3.4 billion over the year-earlier period, with a decrease in GMNA of \$6.0 billion more than offsetting increases in all other automotive regions. Over the same period, GMA incurred a net loss of \$4.0 billion, compared to net income of \$1.1 billion in 2004, primarily resulting from a loss of \$2.8 billion at GMNA in 2005, restructuring charges at GME, and the write down of GM's investment in FHI.

Other Operations earned net income of \$18 million and \$65 million in the second quarters of 2005 and 2004, respectively, and earned net income of \$186 million for the first six months of 2005, compared to \$43 million for the year-earlier period. The improved performance in 2005 was primarily due to tax benefits allocated to Other Operations, partly offset by interest expense and legacy costs.

Table of Contents**GENERAL MOTORS CORPORATION AND SUBSIDIARIES****GM Automotive and Other Operations Financial Review (continued)****GM Automotive Regional Results****GM North America**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
	(dollars in millions)			
GMNA:				
Net income (loss)	\$ (1,121)	\$ 366	\$ (2,825)	\$ 710
Net margin	(4.1)%	1.2%	(5.4)%	1.2%
Production volume (volume in thousands)				
Cars	458	543	928	1,068
Trucks	789	846	1,502	1,666
Total GMNA	1,247	1,389	2,430	2,734
Vehicle unit sales				
Industry North America	5,631	5,393	10,318	10,068
GM as a percentage of industry	27.3%	26.2%	26.4%	26.3%
Industry U.S.	4,801	4,598	8,801	8,592
GM as a percentage of industry	27.9%	26.7%	26.7%	26.7%
GM cars	23.5%	23.5%	23.4%	24.6%
GM trucks	31.3%	29.4%	29.4%	28.4%

North American industry vehicle unit sales increased to 5.6 million in the second quarter of 2005 compared to 5.4 million in 2004, and GMNA's market share increased 1.1 percentage points to 27.3% from 26.2% in the second quarter of 2004. Over this period U.S. industry sales increased 4.4% to 4.8 million units. GM's U.S. market share increased by 1.2 percentage points, to 27.9%, compared to the second quarter of 2004. U.S. car market share remained unchanged at 23.5%, while U.S. truck market share increased to 31.3%, up 1.9 percentage points. Increased volume of new models and successful marketing programs, in particular employee pricing offers, were primary drivers of the increased retail sales in the 2005 period.

In the second quarter of 2005, GMNA recorded a net loss of \$1.1 billion, a deterioration of \$1.5 billion from 2004 net income of \$366 million. The decrease was primarily due to lower production volume, higher health-care expense, unfavorable product mix, and unfavorable material costs. Production volume was lower in 2005 by 142 thousand units, at 1.247 million for the quarter, compared to 1.389 million in the second quarter of 2004. Dealer inventories in the U.S. declined by 349 thousand units as a result of decreased production and strong retail sales in the quarter, to 1.018 million at June 30, 2005, from 1.367 million units at June 30, 2004. Product mix was unfavorable primarily due to a decrease in sales of large utility vehicles, resulting from the need to reduce dealer inventory levels in light of the upcoming launch of the GMT 900 full-size sport utility vehicle later this year. In addition, GMNA produced more fleet vehicles (28.4% of production in the second quarter of 2005, compared to 25.1% in the second quarter of 2004) that are less profitable than retail units. Country of sale mix, with higher sales in Canada and Mexico, and model mix were unfavorable, as well. In the second quarter of 2005, GMNA completed its annual study of warranty reserves. This resulted in a favorable pretax adjustment of \$237 million, compared to \$138 million in the second quarter of 2004 (\$147 million and \$86 million after tax, respectively).

North American industry vehicle unit sales increased 2.5% to 10.3 million in the first six months of 2005 from 10.1 million in the first six months of 2004, while GMNA's market share increased by 0.1 percentage point to 26.4%

in 2005 year-to-date, compared to 26.3% in 2004.

For the first six months of 2005, industry vehicle unit sales in the United States increased 2.4% to 8.8 million units from 8.6 million units in the year-earlier period. GM's 2005 year-to-date U.S. market share remained unchanged, at 26.7%. U.S. car market share declined by 1.2 percentage points to 23.4%, while U.S. truck market share increased to 29.4%, up 1.0 percentage point from 2004.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GM Automotive and Other Operations Financial Review (continued)

For the first six months of 2005 GMNA incurred a net loss of \$2.8 billion, compared to net income of \$710 million in 2004, primarily due to lower production volume, higher health-care expense, and unfavorable product mix. In addition, results in the first half of 2005 included an after-tax charge of \$140 million related to voluntary early retirement and other separation programs with respect to certain salaried employees in the U.S. The first half of 2005 also included a charge of \$84 million, after tax, for the write-down to fair market value of various plant assets in connection with the cessation of production at the Lansing assembly plant during the second quarter of 2005.

GM North America Recovery Plan

GM has announced plans to improve results at GMNA. The key elements of these plans and actions to date are as follows:

Execution of new products:

- o Increasing capital spending concentrated on new products;
- o Advancing the timing of several high volume, high profit programs, including large pick-ups and mid- and large-utilities;
- o Achieving strong sales of recently launched products, such as the Cobalt and H3, and
- o Launching additional products in the near term, including the Chevrolet HHR, Pontiac Solstice, and Cadillac DTS.

Retool sales and marketing strategy:

- o Clarifying, focusing, and differentiating the role of each North American brand;
- o Increasing advertising to support new products;
- o Implementing pricing and/or content changes on approximately half of 2006 model year products, emphasizing total value to customers, and decreasing reliance on sales incentives;
- o Focusing on improving GM's sales performance in major metropolitan markets; and
- o Improving the retail distribution network.

Reduce cost and improve quality:

- o Continuing the improvements in quality and productivity that have been recognized in recent surveys by J.D. Power and the Harbour Report;
- o Continuing to implement capacity reductions; and
- o Continuing efforts to reduce material costs through global sourcing efforts.

Address health care cost burden:

- o GM is engaged in discussions with the UAW and other unions, focused on a cooperative approach to significantly reduce GM's health care cost disadvantage.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GM Automotive and Other Operations Financial Review (continued)

Delphi Matters

As of November 9, 2005, the date of the filing of Amendment No. 1 to this Form 10-Q, Delphi Corporation, a major supplier to GM's automotive operations and a former subsidiary of GM, presented GM with information regarding its intention to address its existing legacy liabilities and the high cost structure of its U.S. operations. Delphi has stated that it has also outlined this information to its largest union, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW), and separately to its other U.S. unions. Delphi has stated that it is seeking a comprehensive restructuring of its U.S. operations in which it obtains participation by its unions and financial support from GM. Delphi has also stated that, if it is not successful in achieving such a restructuring by October 17, 2005, it would consider other strategic alternatives, including a judicial reorganization under federal bankruptcy laws. GM is considering Delphi's request in order to determine what participation by GM, if any, would be in the best interests of GM and its stockholders. Delphi has notified GM that, assuming GM participates in Delphi's restructuring in a manner satisfactory to Delphi, it is Delphi's view there is not a likelihood that GM would become obligated to provide any benefits pursuant to the benefit guarantee agreement GM entered into with certain of its unions in 1999 (see Note 7 to the Consolidated Financial Statements), but has indicated that without GM's financial participation in Delphi's restructuring proposal, it expects that its view as to that matter would change.

On October 8, 2005, Delphi filed a petition for Chapter 11 proceedings under the United States Bankruptcy Code for itself and many of its U.S. subsidiaries. GM expects no immediate effect on its global automotive operations as a result of Delphi's action. Delphi is GM's largest supplier of automotive systems, components and parts, and GM is Delphi's largest customer.

GM believes that it is probable that it has incurred a contingent liability due to Delphi's Chapter 11 filing. GM believes that the range of the contingent exposures is between \$5.5 billion and \$12 billion, with amounts near the low end of the range considered more possible than amounts near the high end of the range assuming an agreement is reached among GM, Delphi, and Delphi's unions. This amount was not estimable as of November 9, 2005, the date of the filing of Amendment No. 1 to this Form 10-Q. GM established a reserve of \$5.5 billion (\$3.6 billion after tax) as a non-cash charge in the fourth quarter of 2005.

On March 22, 2006, GM announced that GM, Delphi and the UAW reached a tentative agreement intended to reduce the number of U.S. hourly employees at GM and Delphi through an accelerated attrition program. The agreement is subject to approval by the bankruptcy court of Delphi's participation in the agreement. If so approved, the agreement will provide for a combination of early retirement programs and other incentives designed to help reduce employment levels at both GM and Delphi. The agreement also calls for the flowback of 5,000 UAW-represented Delphi employees to GM by September 2007 (subject to extension). Eligible UAW-represented Delphi employees may elect to retire from Delphi or flow back to GM and retire. Under the agreement, GM has agreed to assume the financial obligations relating to the lump sum payments to be made to eligible Delphi U.S. hourly employees accepting normal or voluntary retirement incentives and certain post-retirement employee benefit obligations relating to Delphi employees who flow back to GM under the agreement. GM expects to record the costs associated with eligible GM employees under this attrition program in 2006 as employees agree to participate.

Table of Contents**GENERAL MOTORS CORPORATION AND SUBSIDIARIES****GM Automotive and Other Operations Financial Review (continued)****GM Europe**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
	(dollars in millions)			
GME net loss	\$ (112)	\$ (62)	\$ (659)	\$ (171)
GME net margin	(1.3)%	(0.8)%	(4.0)%	(1.1)%
	(volume in thousands)			
Production volume	501	503	1,003	976
Vehicle unit sales				
Industry	5,673	5,576	10,945	10,929
GM as a percentage of industry	9.7%	9.7%	9.7%	9.5%
GM market share Germany	11.1%	10.8%	11.0%	10.7%
GM market share United Kingdom	15.5%	13.9%	15.2%	14.0%

Industry vehicle unit sales increased in Europe during the second quarter of 2005 by 1.7% to 5.7 million, from 5.6 million in the second quarter of 2004, with strong year-over-year growth in most of the region, partly offset by declines in the U.K., Italy, and Central Europe. In line with higher industry volumes, GME's vehicle unit sales increased by 10 thousand units over the second quarter of 2004, to 549 thousand units. GME's market share remained unchanged at 9.7%. In GM's two largest markets in Europe, GM gained market share: share was 11.1% in Germany, a 0.3 percentage point increase versus the second quarter of 2004, and 15.5% in the United Kingdom, an increase of 1.6 percentage points versus the same period in 2004. Market share was mixed in the rest of the region, with improvements in Italy and Eastern Europe, and declines in France, Spain, and other markets.

Net loss for GME totaled \$112 million and \$62 million in the second quarters of 2005 and 2004, respectively. The second quarter 2005 loss includes an after-tax restructuring charge of \$126 million, related to the initiative announced in the fourth quarter of 2004 and costs of dissolving GM's powertrain and purchasing joint ventures with Fiat S.p.A (Fiat). This charge and continued unfavorable price pressure more than offset improvements in structural costs (including the initial effects of the restructuring initiative), favorable material costs, and the effects of positive product mix.

For the first six months of 2005, industry unit sales were essentially unchanged from the 2004 period in Europe, at 10.9 million units. GM's market share in the region increased 0.2 percentage point in the first half of 2005, to 9.7%. GM's share improved in both the U.K., up 1.2 percentage points to 15.2%, and in Germany, up 0.3 percentage point to 11.0%, compared to the first six months of 2004.

For the six months ended June 30, 2005, GME's net loss was \$659 million, compared to \$171 million for the same period in 2004. The increased loss was more than accounted for by after-tax restructuring charges totaling \$548 million (including \$422 million in the first quarter). These charges and unfavorable price more than offset favorable mix and material and structural cost improvements.

Table of Contents**GENERAL MOTORS CORPORATION AND SUBSIDIARIES****GM Automotive and Other Operations Financial Review (continued)****GM Latin America/Africa/Mid-East**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
	(dollars in millions)			
GMLAAM net income	\$ 25	\$ 18	\$ 56	\$ 1
GMLAAM net margin	0.9%	0.9%	1.1%	0.0%
	(volume in thousands)			
Production volume	196	172	381	331
Vehicle unit sales				
Industry	1,237	1,020	2,381	2,004
GM as a percentage of industry	18.3%	17.1%	17.2%	16.6%
GM market share Brazil	21.9%	23.5%	20.6%	23.5%

Industry vehicle unit sales in the LAAM region increased over 21% in the second quarter of 2005, to 1.237 million units, compared to the second quarter of 2004. Overall, GMLAAM's market share for the region increased 1.2 percentage points, to 18.3% in the second quarter of 2005. This increase was primarily the result of a 3.4 percentage point increase in South Africa market share, and increases in Argentina and the Middle East, partly offset by a decrease of 1.6 percentage points in Brazil. GM's market share in Brazil was adversely affected by the lack of a 1.0 liter flex-fuel vehicle in the low market segment.

GMLAAM earned net income of \$25 million in the quarter, up from net income of \$18 million in the second quarter of 2004. The increase in net income was primarily the result of higher production volume, partly offset by negative foreign exchange, especially in Brazil. The second quarter of 2005 is the fifth consecutive quarter of profitability for GMLAAM.

In the first half of 2005, industry vehicle unit sales grew to 2.381 million units, up 18.8% over the first half of 2004. GM's market share in the region increased to 17.2%, from 16.6% in 2004, despite a decrease in share in Brazil, down 2.9 percentage points to 20.6%.

For the first half of 2005, GMLAAM earned \$56 million, compared to \$1 million a year earlier, primarily due to higher income in South Africa, Venezuela, and Colombia, partially offset by unfavorable results in Brazil.

GM Asia Pacific

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
	(dollars in millions)			
GMAP net income	\$ (605)	\$ 253	\$ (535)	\$ 525
GMAP net margin	(31.5)%	14.9%	(14.8)%	15.9%
	(volume in thousands)			
Production volume	400	337	735	633
Vehicle unit sales				
Industry	4,500	4,048	9,142	8,620
GM as a percentage of industry	6.3%	5.6%	5.6%	5.2%

GM market share	Australia	18.0%	19.3%	18.2%	19.7%
GM market share	China	11.4%	9.8%	10.9%	9.8%

38

Table of Contents**GENERAL MOTORS CORPORATION AND SUBSIDIARIES****GM Automotive and Other Operations Financial Review (concluded)****GM Asia Pacific (concluded)**

Industry vehicle unit sales in the Asia Pacific region increased 11.2% in the second quarter of 2005 compared to the second quarter of 2004, to 4.5 million units, with slightly over half the unit increase in China, and growth throughout the region. GMAP increased its vehicle unit sales (including GM Daewoo Auto & Technology Company [GM Daewoo] and China affiliates) in the region by 55 thousand units, or 24.7% in the period, to 281 thousand units from 226 thousand in 2004, driven primarily by higher sales in China. GMAP's second quarter 2005 market share increased to 6.3%, from 5.6% in the second quarter of 2004. GMAP increased its market share in China to 11.4% in the second quarter of 2005, up from 9.8% in the second quarter of 2004. Market share in Australia decreased in the period to 18.0%, compared to 19.3% in the second quarter of 2004, primarily due to lower sales of full-sized cars.

In the first six months of 2005, industry vehicle unit sales in the region increased 522 thousand units, or 6.1%, to 9.1 million, over the year earlier period, while GMAP's sales increased 63 thousand units, or 13.9%, to 513 thousand. The bulk of GMAP's growth, 49 thousand units, was in China, where market share grew 1.1 percentage points to 10.9% for the first half of 2005. Overall in the region, GMAP's market share increased 0.4 percentage point, to 5.6%, in the period, compared to 2004.

Net loss from GMAP was \$605 million in the second quarter 2005 and net income of \$253 million in the second quarter of 2004. For the six-month period ending June 30, 2005, GMAP's net loss was \$535 million and for the same period in 2004 GMAP had net income of \$525 million. The net loss was primarily attributable to the write-down of FHI of \$788 million, after-tax, a result of FHI's declining financial performance and the downward adjustments in their business plan in May 2005. In addition, GMAP also experienced lower equity earnings from Shanghai GM, largely due to unfavorable product mix and unfavorable price. In addition, GM Holden's 2005 results have been lower than in 2004 due to reduced sales of locally produced vehicles and the unfavorable effect of the failure of ION, a local supplier.

On June 28, 2005 GM increased its ownership in GM Daewoo to 50.9% from 48.2%. Accordingly, as of June 30, 2005, GM Daewoo was consolidated by GM. See Note 2 to the Consolidated Financial Statements.

Other Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(dollars in millions)			
Other:				
Total net sales, revenues, and eliminations	\$(267)	\$77	\$(292)	\$136
Net income (loss)	\$ 18	\$65	\$ 186	\$ 43

Other Operations earned net income of \$18 million and \$65 million in the second quarters of 2005 and 2004, respectively. Results for 2005 include tax benefits of \$158 million recognized in Other Operations. As discussed above, these benefits relate to various items that generally do not vary with changes in pre-tax income. These benefits were partially offset by legacy costs, interest expense, and exchange. Other Operations' results include after-tax legacy costs of \$129 million and \$102 million for the second quarters of 2005 and 2004, respectively, related to employee benefit costs of divested businesses, primarily Delphi, for which GM has retained responsibility.

For the first half of 2005, Other Operations earned net income of \$186 million, compared to \$43 million in the 2004 period. The improvement is attributable to tax benefits, as discussed above, of \$547 million allocated to Other Operations in 2005, partially reduced by increases in legacy costs, interest expense, and exchange. Legacy costs of \$241 million and \$204 million were included in Other Operations' results for 2005 and 2004, respectively. Other Operations' results for the first half of 2005 also include \$8 million, after tax, related to the early retirement and other separation programs, in the first quarter, described above for certain salaried employees in the U.S.

Table of Contents**GENERAL MOTORS CORPORATION AND SUBSIDIARIES****Health-Care Costs**

GM is currently exposed to significant and growing liabilities for other postretirement employee benefits (OPEB), including retiree health care and life insurance, for both its hourly and salaried workforces. GM discontinued offering OPEB to salaried workers hired after 1992. Such employees now comprise approximately 30% of GM's U.S. active salaried workforce. GM's OPEB liabilities have grown to \$77.5 billion as of December 31, 2004 with increases in recent years primarily resulting from increases in health-care inflation. GM's OPEB liabilities affect GM's short-term and long-term financial condition in several ways. GM's OPEB liabilities affect GM's OPEB expense, which affects GM's net income. GM's OPEB cost increase has challenged GM's ability to reduce its structural costs.

In recent years, GM has paid its OPEB expenditures from operating cash flow, which reduces GM's liquidity and cash flow from operations.

Because of the importance of OPEB liabilities to GM's financial condition, GM management is pursuing an aggressive strategy on several fronts to mitigate the continued growth of these liabilities. These efforts include public policy initiatives, improvements to the health-care delivery system, enhanced consumer awareness of the effect of health-care choices and on-going discussions with our labor unions about the level of OPEB benefits provided to hourly employees.

GMAC Financial Review

GMAC's net income was \$816 million and \$813 million in the second quarters of 2005 and 2004, respectively. Net income for the first six months of 2005 and 2004 was \$1.5 billion and \$1.6 billion, respectively.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
	(dollars in millions)			
Financing operations	\$ 378	\$ 422	\$ 594	\$ 849
Mortgage operations	343	316	761	560
Insurance operations	95	75	189	161
Net income	\$ 816	\$ 813	\$ 1,544	\$ 1,570

Net income from financing operations totaled \$378 million in the second quarter of 2005, as compared with \$422 million earned in the same period of the prior year. For the first six months of 2005 and 2004, financing operations' net income was \$594 million and \$849 million, respectively. The decrease for the 2005 periods reflects the unfavorable effect of lower net interest margins as a result of increased borrowing costs. The decline in net interest margins was somewhat mitigated by the effect of improved used vehicle prices on lease terminations and lower credit loss provisions in 2005, compared to 2004.

Mortgage operations earned \$343 million in the second quarter of 2005, up from \$316 million in the second quarter of 2004. For the first six months of 2005, mortgage operations' net income was \$761 million, compared to \$560 million in 2004. These results represent increases of 9% and 36% over the same periods of 2004, despite lower overall U.S. mortgage industry volume in 2005 as compared to 2004. On a combined basis, loan production for GMAC's residential based mortgage companies for the second quarter of 2005 remained consistent with that experienced for the second quarter of 2004, despite a decline of approximately 11% in total U.S. residential mortgage industry volume during the same time period. In addition, the favorable effects of valuation gains on the investment portfolio and favorable

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GMAC Financial Review (concluded)

mortgage servicing results mitigated the impact of lower gains on sales of loans and lower net interest margins due to increased borrowing costs. GMAC's commercial mortgage operations' earnings in the second quarter of 2005 were consistent compared to the second quarter of 2004. Net income for the first six months of 2005 decreased by \$4 million to \$92 million as compared to the first six months of 2004.

Net income from insurance operations totaled \$95 million and \$75 million for the second quarter of 2005 and 2004, respectively, and \$189 million and \$161 million for the first six months of 2005 and 2004, respectively. The increases in 2005 are primarily the result of favorable underwriting results due to increases in insurance premiums and service revenue earned and written from contract growth across the majority of product lines. In addition, incurred losses attributable to severe weather in the United States were lower in the second quarter of 2005 than in the second quarter of 2004.

LIQUIDITY AND CAPITAL RESOURCES

Statements of Cash Flows Restatements and Reclassifications

For the six months ended June 30, 2005 and 2004, GM restated its Condensed Consolidated Statement of Cash Flows to correct for the erroneous classification of cash flows from certain mortgage loan transactions as cash flows from operations instead of cash flows from investing activities.

After considering the concerns raised by the staff of the SEC as of December 31, 2004, management concluded that certain amounts in the Consolidated Statements of Cash Flows for the year ended December 31, 2004 should be reclassified to appropriately present net cash provided by operating activities and net cash used in investing activities. These amounts have been reclassified consistently as of June 30, 2005 and 2004.

The Corporation's previous policy was to classify all the cash flow effects of providing wholesale loans to its independent dealers by GM's Financing and Insurance Operations as an investing activity in its Consolidated Statements of Cash Flows. This policy, when applied to the financing of inventory sales, had the effect of presenting an investing cash outflow and an operating cash inflow even though there was no cash inflow or outflow on a consolidated basis. The Corporation has changed its policy to eliminate this intersegment activity from its Consolidated Statements of Cash Flows and, as a result of this change, all cash flow effects related to wholesale loans are reflected in the operating activities section of the Consolidated Statement of Cash Flows for the six months ended June 30, 2004. This reclassification better reflects the financing of the sale of inventory as a non-cash transaction to GM on a consolidated basis and eliminates the effects of intercompany transactions. See Note 1 to the Consolidated Financial Statements for the effect of this reclassification.

Automotive and Other Operations

At June 30, 2005, cash, marketable securities, and \$4.2 billion (\$3.5 billion at December 31, 2004 and June 30, 2004) of readily-available assets of the VEBA trust totaled \$20.2 billion, compared with \$23.3 billion at December 31, 2004 and \$25.0 billion at June 30, 2004. The decrease of approximately 13% from December 31, 2004 was primarily the result of the net loss of Auto & Other for the first six months of 2005, and payments totaling approximately \$2.5 billion related to the GME restructuring initiative and to the agreement reached in February 2005 between GM and Fiat to terminate the Master Agreement (including the Put Option) between them, settle various disputes related thereto, and other matters. The amount of GM's consolidated cash and marketable securities is subject to intra-month and seasonal fluctuations and includes balances held by various GM business units and subsidiaries worldwide that are needed to fund their operations. In the first six months of 2005, GMAC paid GM \$1.0 billion in dividends. Additionally, on August 1, 2005, GMAC paid a \$500 million cash dividend to GM, bringing total year to date dividends to \$1.5 billion. As of June 30, 2005, \$1.6 billion of cash and marketable securities was included in GM's balances as a result of the consolidation of GM Daewoo. The increase to \$4.2 billion in readily-available assets in the VEBA results from higher withdrawal capacity from the hourly VEBA trust due to increased other postretirement employee benefit payments, and the addition of withdrawal capacity from the salaried VEBA that was funded in 2004. Total assets in the VEBA and 401(h) trusts used to pre-fund part of GM's other postretirement benefits liability approximated \$20.4 billion at June 30, 2005, \$20.0 billion at December 31, 2004, and \$15.9 billion at June 30, 2004.

As noted above, during the second quarter of 2005, GM withdrew \$1 billion from its VEBA trust as reimbursement for its retiree health care payments. On July 1, 2005, GM withdrew an additional \$1 billion from the VEBA, and on a quarter-by-quarter basis is evaluating the need for additional withdrawals as the cost of health care continues to adversely affect GM's liquidity.

Table of Contents**GENERAL MOTORS CORPORATION AND SUBSIDIARIES****LIQUIDITY AND CAPITAL RESOURCES (continued)****Automotive and Other Operations (concluded)**

Long-term debt was \$31.0 billion at June 30, 2005, compared with \$30.5 billion at December 31, 2004 and \$29.8 billion at June 30, 2004. As of June 30, 2005, \$1.3 billion of long-term debt was included in GM's balance as a result of the consolidation of GM Daewoo. The ratio of long-term debt to the total of long-term debt and GM's net assets of Automotive and Other Operations was 94.2% at June 30, 2005, 85.7% at December 31, 2004, and 84.4% at June 30, 2004. The ratio of long-term debt and short-term loans payable to the total of this debt and GM's net assets of Automotive and Other Operations was 94.5% at June 30, 2005, 86.5% at December 31, 2004, and 85.4% at June 30, 2004.

Net liquidity, calculated as cash, marketable securities, and \$4.2 billion (\$3.5 billion at December 31, 2004 and June 30, 2004) of readily-available assets of the VEBA trust less the total of loans payable and long-term debt, was a negative \$12.4 billion at June 30, 2005, compared with a negative \$9.2 billion at December 31, 2004, and a negative \$7.4 billion at June 30, 2004.

In the second quarter of 2005, GM and GMAC began offering a new supplier finance program to a limited number of its suppliers. At June 30, 2005, GM owed approximately \$0.4 billion to GMAC under the new program, which amount is included in the balances of net payable to FIO and net receivable from Auto & Other in GM's Supplemental Information to the Consolidated Balance Sheets, and is eliminated in GM's Consolidated Balance Sheets.

Financing and Insurance Operations

At June 30, 2005, GMAC's consolidated assets totaled \$310.0 billion, compared with \$324.2 billion at December 31, 2004 and \$297.2 billion at June 30, 2004. The decrease from December 31, 2004 was attributable to a decrease in net finance receivables and loans, from \$200.2 billion at December 31, 2004 to \$178.3 billion at June 30, 2005, driven by decreases in retail and wholesale automotive receivables, partly offset by an increase in loans held for sale. The increase in GMAC's consolidated assets at June 30, 2005 compared with June 30, 2004 was due to higher balances of cash, investment securities, loans held for sale, and investment in operating leases, partly offset by decreases in retail and wholesale automotive receivables.

Consistent with the changes in asset levels, GMAC's total debt decreased to \$250.9 billion at June 30, 2005, compared with \$267.7 billion at December 31, 2004. Debt was lower by \$6.4 billion at June 30, 2004, at \$244.5 billion. GMAC's ratio of total debt to total stockholder's equity at June 30, 2005 was 11.1:1, compared with 11.9:1 at December 31, 2004, and 11.1:1 at June 30, 2004. GMAC's liquidity, as well as its ability to profit from ongoing activity, is in large part dependent upon its timely access to capital and the costs associated with raising funds in different segments of the unsecured and secured capital markets. Part of GMAC's strategy in managing liquidity risk has been to develop diversified funding sources across a global investor base and to extend debt maturities over a longer period of time, thereby maintaining sufficient cash balances. As an important part of its overall funding and liquidity strategy, GMAC maintains substantial bank lines of credit. These bank lines of credit, which totaled \$45.8 billion at June 30, 2005, provide back-up liquidity and represent additional funding sources, if required. In addition, GMAC enters into secured funding facilities whereby, in certain facilities, third parties (including third-party asset-backed commercial paper conduits) have committed to purchase a minimum amount of receivables through a designated period of time. The unused portion of the committed and uncommitted facilities totaled \$24.7 billion at June 30, 2005. GMAC has also been able to diversify its unsecured funding through the formation of Residential Capital Corporation (ResCap). ResCap was formed as the holding company of GMAC's residential mortgage business and in the second

Table of Contents**GENERAL MOTORS CORPORATION AND SUBSIDIARIES****LIQUIDITY AND CAPITAL RESOURCES (concluded)****Financing and Insurance Operations (concluded)**

quarter of 2005 successfully achieved an investment grade rating (independent from GMAC) and issued \$4.0 billion of unsecured debt through a private placement offering. Following the bond offering, in July 2005, ResCap closed a \$3.5 billion syndication of its bank facilities, which are intended to be used primarily for general corporate and working capital purposes, as well as to repay GMAC affiliate borrowings, thus providing additional liquidity to GMAC. Additionally, GMAC has increased the use of secured funding sources beyond traditional asset classes and geographic markets and has also increased the use of automotive whole loan sales. The increased use of whole loan sales is part of the migration to an originate and sell model for the U.S. automotive finance business. Through July 2005, GMAC has executed \$9 billion in whole loan sales.

In August 2005 GMAC announced that it had entered into a definitive agreement to sell a 60% equity interest in GMAC Commercial Mortgage, while maintaining the remaining 40% equity interest. Under the terms of the transaction, GMAC Commercial Mortgage will repay all intercompany loans to GMAC upon the closing, thereby providing GMAC significant incremental liquidity.

Off-Balance Sheet Arrangements

GM and GMAC use off-balance sheet arrangements where economics and sound business principles warrant their use. GM's principal use of off-balance sheet arrangements occurs in connection with the securitization and sale of financial assets generated or acquired in the ordinary course of business by GMAC and its subsidiaries and, to a lesser extent, by GM. The assets securitized and sold by GMAC and its subsidiaries consist principally of mortgages, and wholesale and retail loans secured by vehicles sold through GM's dealer network. The assets sold by GM consist principally of trade receivables.

In addition, GM leases real estate and equipment from various off-balance sheet entities that have been established to facilitate the financing of those assets for GM by nationally prominent lessors that GM believes are creditworthy. These assets consist principally of office buildings, warehouses, and machinery and equipment. The use of such entities allows the parties providing the financing to isolate particular assets in a single entity and thereby syndicate the financing to multiple third parties. This is a conventional financing technique used to lower the cost of borrowing and, thus, the lease cost to a lessee such as GM.

There is a well-established market in which institutions participate in the financing of such property through their purchase of ownership interests in these entities and each is owned by institutions that are independent of, and not affiliated with, GM. GM believes that no officers, directors or employees of GM, GMAC, or their affiliates hold any direct or indirect equity interests in such entities.

Assets in off-balance sheet entities were as follows (dollars in millions):

	June 30, 2005	Dec. 31, 2004	June 30, 2004
Automotive and Other Operations			
Assets leased under operating leases	\$ 2,455	\$ 2,553	\$ 2,293
Trade receivables sold (1)	1,090	1,210	910
Total	\$ 3,545	\$ 3,763	\$ 3,203
Financing and Insurance Operations			
Receivables sold or securitized:			
- Mortgage loans	\$ 90,309	\$ 79,389	\$ 82,852
- Retail finance receivables	7,675	5,615	7,112
- Wholesale finance receivables	21,396	21,291	17,231

Total	\$ 119,380	\$ 106,295	\$ 107,195
-------	------------	------------	------------

(1) In addition, trade receivables sold to GMAC were \$590 million, \$549 million and \$456 million for the periods ended June 30, 2005, December 31, 2004, and June 30, 2004, respectively.

BOOK VALUE PER SHARE

Book value per share was determined based on the liquidation rights of the common stockholders. Book value per share of GM \$1-2/3 par value common stock was \$42.17 at June 30, 2005, \$48.41 at December 31, 2004, and \$48.61 at June 30, 2004.

Book value per share is a meaningful financial measure for GM, as it provides investors an objective metric based on GAAP that can be compared to similar metrics for competitors and other industry participants. The book value per share can vary significantly from the trading price of common stock since the latter is driven by investor expectations about a variety of factors, including the present value of future cash flows, which may or may not warrant financial statement recognition under GAAP.

As of June 30, 2005, GM's book value per share was significantly higher than the trading price of its \$1-2/3 par value common stock. GM believes that this difference is driven mainly by marketplace uncertainty surrounding future events at GM.

We also believe the fact that GM's book value exceeds the recent trading price of its \$1-2/3 par value common stock is a potential indicator of impairment. Presently, none of these uncertainties warrant modification to the amounts reflected in GM's consolidated financial statements.

Table of Contents**GENERAL MOTORS CORPORATION AND SUBSIDIARIES****EMPLOYMENT AND PAYROLLS**

Worldwide employment for GM and its wholly-owned subsidiaries at June 30, (in thousands)	2005	2004
GMNA	177	186
GME	58	62
GMLAAM	32	27
GMAP	14	14
GMAC	34	33
Other	4	5
Total employees	319	327

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Worldwide payrolls (in billions)	\$ 5.2	\$ 5.5	\$ 10.5	\$ 11.0

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements of GM are prepared in conformity with GAAP, which requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. GM's accounting policies and critical accounting estimates are consistent with those described in Note 1 to the 2004 Consolidated Financial Statements. Management believes that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustments to these balances in future periods. The Corporation has discussed the development, selection and disclosures of its critical accounting estimates with the Audit Committee of GM's Board of Directors, and the Audit Committee has reviewed the Corporation's disclosures relating to these estimates.

Equipment on operating lease

Sales to daily rental car companies with guaranteed repurchase options are accounted for as equipment on operating leases. Lease revenue is recognized over the term of the lease. Management reviews residual values periodically to determine that estimates remain appropriate, and if an asset is impaired losses are recognized at the time of the impairment.

Pension and Other Postretirement Employee Benefits (OPEB)

Pension and OPEB costs and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, health-care cost trend rates, benefits earned, interest cost, expected return on plan assets, mortality rates, and other factors. In accordance with GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect GM's pension and other postretirement obligations and future expense.

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NEW ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board (FASB) revised Statement of Financial Accounting Standards No. 123 Accounting for Stock-Based Compensation (SFAS No. 123R), requiring companies to record share-based payment transactions as compensation expense at fair market value. SFAS No. 123R further defines the concept of fair market value as it relates to such arrangements. Based on SEC guidance issued in Staff Accounting Bulletin (SAB) 107 in April 2005, the provisions of this statement will be effective for General Motors as of January 1, 2006. The Corporation began expensing the fair market value of newly granted stock options and other stock based compensation awards to employees pursuant to SFAS No. 123 in 2003; therefore this statement is not expected to have a material effect on GM's consolidated financial position or results of operations.

In April 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, requiring retrospective application as the required method for reporting a change in accounting principle, unless impracticable or a pronouncement includes specific transition provisions. This statement also requires that a change in depreciation, amortization, or depletion method for long-lived, nonfinancial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. This statement carries forward the guidance in APB Opinion No. 20, Accounting Changes, for the reporting of the correction of an error and a change in accounting estimate. This statement is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. This statement is not expected to have a material effect on GM's consolidated financial position or results of operations.

FORWARD-LOOKING STATEMENTS

In this report, in reports subsequently filed by GM with the SEC on Form 10-Q and filed or furnished on Form 8-K, and in related comments by management of GM, our use of the words expect, anticipate, estimate, forecast, initiative, objective, plan, goal, project, outlook, priorities, target, intend, evaluate, pursue, should, believe, potential, continue, designed, impact, or the negative of any of those words or similar expressions intended to identify forward-looking statements. All statements in subsequent reports which GM may file with the SEC on Form 10-Q and filed or furnished on Form 8-K, other than statements of historical fact, including without limitation, statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable when made, these statements are not guarantees of any events or financial results, and GM's actual results may differ materially due to numerous important factors that may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K. Such factors include, among others, the following:

The ability of GM to realize production efficiencies, to achieve reductions in costs as a result of the turnaround restructuring and health care cost reductions and to implement capital expenditures at levels and times planned by management;

The pace of product introductions;

Market acceptance of the Corporation's new products;

Significant changes in the competitive environment and the effect of competition in the Corporation's markets, including on the Corporation's pricing policies;

Our ability to maintain adequate financing sources and an appropriate level of debt;

Restrictions on GMAC's and ResCap's ability to pay dividends and prepay subordinated debt obligations to us;

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

FORWARD-LOOKING STATEMENTS (continued)

Changes in the existing, or the adoption of new, laws, regulations, policies or other activities of governments, agencies and similar organizations where such actions may affect the production, licensing, distribution or sale of our products, the cost thereof or applicable tax rates;

Costs and risks associated with litigation;

The final results of investigations and inquiries by the SEC;

Changes in our accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, including the range of estimates for the Delphi pension benefit guarantees, which could result in an impact on earnings;

Changes in relations with unions and employees/retirees and the legal interpretations of the agreements with those unions with regard to employees/retirees;

Negotiations and bankruptcy court actions with respect to Delphi's obligations to GM, negotiations with respect to GM's obligations under the pension benefit guarantees to Delphi employees, and GM's ability to recover any indemnity claims against Delphi;

Labor strikes or work stoppages at GM or at key suppliers such as Delphi;

Additional credit rating downgrades and the effects thereof;

The effect of a potential sale or other extraordinary transaction involving GMAC on the results of GM's and GMAC's operations and liquidity;

Other factors affecting financing and insurance operating segments' results of operations and financial condition such as credit ratings, adequate access to the market, changes in the residual value of off-lease vehicles, changes in U.S. government-sponsored mortgage programs or disruptions in the markets in which our mortgage subsidiaries operate, and changes in our contractual servicing rights;

Shortages of and price increases for fuel; and

Changes in economic conditions, commodity prices, currency exchange rates or political stability in the markets in which we operate.

In addition, GMAC's actual results may differ materially due to numerous important factors that are described in GMAC's most recent report on SEC Form 10-K, which may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K. Such factors include, among others, the following:

The ability of GM to complete a transaction regarding a controlling interest in GMAC while maintaining a significant stake in GMAC, securing separate credit ratings and low cost funding to sustain growth for GMAC and ResCap, and maintaining the mutually beneficial relationship between GMAC and GM;

Significant changes in the competitive environment and the effect of competition in the Corporation's markets, including on the Corporation's pricing policies;

Our ability to maintain adequate financing sources;

Our ability to maintain an appropriate level of debt;

The profitability and financial condition of GM, including changes in production or sales of GM vehicles, risks based on GM's contingent benefit guarantees and the possibility of labor strikes or work stoppages at GM or at key suppliers such as Delphi;

Funding obligations under GM and its subsidiaries' qualified U.S. defined benefits pension plans;

Restrictions on ResCap's ability to pay dividends and prepay subordinated debt obligations to us;

Table of Contents

**GENERAL MOTORS CORPORATION AND SUBSIDIARIES
FORWARD-LOOKING STATEMENTS (concluded)**

Changes in the residual value of off-lease vehicles;

Changes in U.S. government-sponsored mortgage programs or disruptions in the markets in which our mortgage subsidiaries operate;

Changes in our contractual servicing rights;

Costs and risks associated with litigation;

Changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;

Changes in the credit ratings of GMAC or GM;

The threat of natural calamities;

Changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and

Changes in the existing, or the adoption of new, laws, regulations, policies or other activities of governments, agencies and similar organizations.

Investors are cautioned not to place undue reliance on forward-looking statements. GM undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other such factors that affect the subject of these statements, except where expressly required by law.

* * * * *

Table of Contents

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

ITEM 4. Controls and Procedures

The Corporation maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods.

GM's management, with the participation of its chief executive officer and its chief financial officer, evaluated the effectiveness of GM's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) as of June 30, 2005. Based on that evaluation, included in an amendment on Form 10Q/A filed November 9, 2005, GM's chief executive officer and chief financial officer concluded that, as of that date, GM's disclosure controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15, were not effective at the reasonable assurance level. These controls have been reevaluated and GM's management, led by its chief executive officer and its current chief financial officer, confirmed their conclusion that GM's disclosure controls and procedures were not effective at the reasonable assurance level as of that date because of the identification of the material weaknesses in our internal control over financial reporting, which we view as an integral part of our disclosure controls and procedures.

As described in Note 1 to the Condensed Consolidated Financial Statements, GM has restated its financial statements for the period presented in this filing. In order to analyze the disclosure controls and procedures associated with the adjustments underlying the restatements, GM management evaluated (1) each adjustment as to whether it was caused by an internal control deficiency and (2) the effectiveness of actions that had been taken to remediate identified internal control deficiencies.

Among other matters, management's assessment identified the following material weaknesses and significant deficiency:

(A) A material weakness was identified related to our design and maintenance of adequate controls over the preparation, review, presentation and disclosure of amounts included in our condensed consolidated statements of cash flows, which resulted in misstatements therein. Cash outflows related to certain mortgage loan originations and purchases were not appropriately classified as either operating cash flows or investing cash flows consistent with our original description as loans held for sale or loans held for investment. In addition, proceeds from sales and repayments related to certain mortgage loans, which initially were classified as mortgage loans held for investment and subsequently transferred to mortgage loans held for sale, were reported as operating cash flows instead of investing cash flows in our condensed consolidated statements of cash flows, as required by Statement of Financial Accounting Standards No. 102 *Statement of Cash Flows - Exemption of Certain Enterprises and Classification of Cash Flows from Certain Securities Acquired for Resale*. Finally, certain non-cash proceeds and transfers were not appropriately presented in the condensed consolidated statements of cash flows.

GM management is in the process of remediating this material weakness through the design and implementation of enhanced controls to aid in the correct preparation, review, presentation and disclosures of our condensed consolidated statements of cash flows. Management will monitor, evaluate and test the operating effectiveness of these controls.

(B) A material weakness was identified related to the fact that GM's management did not adequately design the control procedures to account for GM's portfolio of vehicles on operating lease with daily rental car entities, which was impaired at lease inception, and prematurely revalued to reflect increased anticipated proceeds upon disposal. This material weakness was identified in January 2006, and remediated by discontinuing the premature revaluation of previously recognized impairments.

(C) In the third quarter of 2005, GM management reported a material weakness in internal controls related to the ineffective operation of the procedures to determine whether an impairment was necessary with respect to the Corporation's foreign investments accounted for under the equity method which resulted in the failure to timely reduce the carrying value of GM's investment in the common stock of Fuji Heavy Industries to fair value. GM fully remediated its related controls and procedures related to this matter prior to December 31, 2005. Details of the remediation actions were included in Item 4 of our Amendment No. 1 on Form 10-Q, filed November 9, 2005.

Table of Contents

(D) GM management also identified a significant deficiency in internal controls related to accounting for complex contracts. This deficiency was identified as a result of certain contracts being accounted for incorrectly and without appropriate consideration of the economic substance of the contracts. GM management is in the process of remediating this significant deficiency by implementing a delegation of authority for approval of the accounting for complex contracts that requires formal review and approval by experienced accounting personnel.

Other than indicated above, there were no changes in the Corporation's internal control over financial reporting that occurred during the quarter ended June 30, 2005, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within General Motors have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Table of Contents

**GENERAL MOTORS CORPORATION AND SUBSIDIARIES
PART II**

ITEM 6. Exhibits

Exhibit Number	Exhibit Name
31.1	Section 302 Certification of the Chief Executive Officer
31.2	Section 302 Certification of the Chief Financial Officer
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* * * * *

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GENERAL MOTORS CORPORATION

(Registrant)

Date: March 28, 2006

By: /s/ PETER R. BIBLE

(Peter R. Bible, Chief Accounting
Officer)