General Motors Corporation 2003 Annual Report

Contents

Here's what's new

about GM's strategy this year:

Nothing.

Our 2003 plan is the same as 2002.

We're getting better, year by year.

More new products than ever and

the most exciting lineup in our history.

Working more as one global company than

ever. More solid financially.

And more determined than ever

to be the best.

Our drive remains strong.

We are never satisfied, never complacent;

always moving, always forward.

Detroit-Hamtramck Assembly Center

John Devine
Vice Chairman and
Chief Financial Officer

Rick Wagoner
Chairman and
Chief Executive Officer

Bob Lutz
Vice Chairman,
Product Development
and Chairman,
GM North America

Dear Stockholders:

You know what it's like when you settle into the driver's seat of a brand new car and it just *feels* right? Everything's where it should be, the leather envelops you, the engine growls as you tap the accelerator, and you just can't wait to hit the open road.

Well, that's the feeling we're aiming for behind the wheel of General Motors, as we continue our drive to be the best at everything we do.

2003 was an encouraging year along that road. Not because our results fully met our expectations. They didn't. No doubt, there are places where we have plenty of room to improve. And improve we will.

Rather, 2003 was encouraging because we made a great deal of progress – progress that tells us we're focused on the right things, that our strategy is sound, that we're driving GM in the right direction.

And the most important and compelling evidence of this is in our car and trucks.

GM has the best vehicles we've ever had, and there are many more on the way, establishing a very solid foundation for our future growth. We're working together globally as never before, leveraging our considerable resources – not the least of which is the talent of our people all around the world – to develop exciting new products. And we're getting those new cars and trucks to market faster and at the highest levels of quality in our history.

At the same time, we're staying aggressive in the marketplace, our cost competitiveness continues to improve, and we're getting stronger by many financial measures. It's a good plan, and we're sticking to it.

Driving Results

In 2003, GM earned $3.8 billion on record revenue of $185.5 billion, or $7.14 earnings per share of GM common stock. Excluding our former Hughes Electronics subsidiary and special items, earnings totaled $3.2 billion or $5.62 per share. These results were achieved despite a generally challenging economic environment around the world – in large part because of strong earnings in Asia and another exceptional performance by GMAC, proof of the merits of GM's diverse earnings base.

We began the year with a focus on improving our balance sheet, and made progress well in excess of our plan. Through a combination of generating more than $10 billion from automotive operations, the sale of non-core assets, particularly Hughes, and global debt offerings, cash proceeds totaled $32 billion, about three times our original target.

That allowed us to fully fund our U.S. salaried and hourly employee pension plans, a move that few would have predicted possible at the start of 2003, when these plans were nearly $18 billion underfunded.

While we are pleased with this progress, we are not satisfied with our performance.

We understand our job is to drive stronger results – consumers truly excited about our cars and trucks, our sales and market share rising, our quality improving and our financials stronger.

While our market share increased in Asia Pacific, Europe and our Latin America, Africa and Middle East (LAAM) region, we fell short of our goal to have a third consecutive annual share increase in the United States, our largest market.
A weak first quarter got us off to a poor start in 2003, and even though our share was up significantly in the second half, it wasn't enough. This year we are refocused on performing more consistently throughout the year.

We still face some significant challenges in the coming year:

- Our automotive earnings weakened in 2003, due largely to the higher "legacy costs" of our pension and health-care obligations for our large U.S. retiree base. We are determined to improve profitability in our core business and further strengthen our balance sheet, fund our future products and growth plan, and create shareholder value. We plan to do this by sticking to our strategy: introducing great cars and trucks; staying aggressive in the marketplace; reducing costs and improving quality; and generating more cash.

- Spiraling health-care costs remain a significant competitive issue in the United States for all industries, and especially for long-standing ones like the automotive business. While we have done a better job than many companies in proactively managing health-care cost increases, solving this issue is going to require our efforts on a range of fronts: providing employees cost-effective health care benefit plans; improving the cost and quality of the health-care delivery system; enhancing our health-care

Financial Highlights

(Dollars in millions, except per share amounts) Years ended December 31,	**2003**	2002	2001
Total net sales and revenues	**$185,524**	$177,324	$169,051
Worldwide wholesale sales (units in thousands)	**8,098**	8,411	8,073
Income from continuing operations	**$ 2,862**	$ 1,975	$ 1,222
(Loss) from discontinued operations	**$ (219)**	$ (239)	$ (621)
Gain on sale of discontinued operations	**$ 1,179**	–	–
Net income	**$ 3,822**	$ 1,736	$ 601
Net profit margin from continuing operations	**1.5%**	1.1%	0.7%
Diluted earnings per share attributable to $1-2/3 par value common stock			
Continuing operations	**$ 5.03**	$ 3.51	$ 2.20
Net income	**$ 7.14**	$ 3.35	$ 1.77
Income adjusted to exclude Hughes Electronics and special items (1)			
Income	**$ 3,197**	$ 3,924	$ 2,000
Diluted earnings per share attributable to $1-2/3 par value common stock	**$ 5.62**	$ 6.98	$ 3.60
Book value per share of $1-2/3 par value common stock	**$ 44.96**	$ 9.06	$ 24.81
Number of $1-2/3 par value common stock shares outstanding as of December 31 (in millions)	**562**	560	558

(1) *A reconciliation of adjusted amounts to amounts determined in accordance with accounting principles generally accepted in the United States may be found at* www.gm.com/company/investor information/, *Earnings Releases, Financial Highlights.*

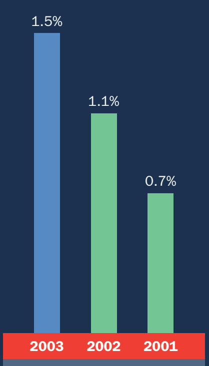
Net Sales and Revenues
billions

Net sales and revenues were $185.5 billion, up 4.6%.

Income from Continuing Operations
billions

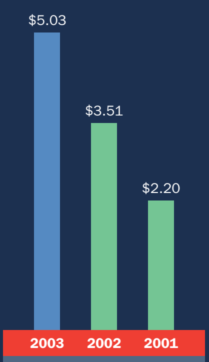
Income from continuing operations was $2.9 billion, up $0.9 billion.

Net Profit Margin from Continuing Operations
percent



Net profit margin from continuing operations was 1.5%, up from 1.1%

Earnings per Share from Continuing Operations
dollars



Earnings per share from continuing operations increased to $5.03 from $3.51.

funding plan; and supporting appropriate governmental actions. With regard to the last item, the Medicare drug benefit enacted by the U.S. Congress last year was a good first step, but much more needs to be done. Health-care expenses in the United States last year added about $1,400 to the cost of each car and truck we produced – a real competitive disadvantage.

- The weakening dollar in recent months has leveled the playing field somewhat with our competitors in Japan and Europe. But the Japanese government continues to intervene heavily in foreign exchange markets to hold down the value of the yen and thereby make their exports more competitive in the United States – a practice that is inconsistent with principles of free and fair trade.

- While we made progress in Europe last year, we were slowed by a stagnant economy and increased competition. Our market share increased slightly on the strength of new products, but we fell well short of our goal to break even on the bottom line. Our LAAM region also was unprofitable, as continued economic weakness suppressed demand in Brazil and throughout Latin America.

Driving Globally

While we must take on these challenges, there are plenty of reasons for optimism as well.

We expect the industry's global unit sales this year to exceed 60 million for the first time ever. Global automotive revenue should grow 6 to 7 percent this year, double the revenue growth of 2003. And we expect to get our fair share of it.

Our relationships with our dealers, employees, unions and family of customers continue to strengthen. We have a seasoned, deep leadership team whose experience and talent are unmatched in the industry. Our assembly plants rank among the best in the world for quality and productivity.

We have an enviable position in the world's fastest-growing automotive market, China, where investments in the mid- and late 1990s have paid dividends far larger and sooner than anyone predicted. Our unit sales in that market increased 46 percent last year, and we increased our market share.

We've just begun to tap the enormous engineering and product potential from our investment in GM Daewoo Auto & Technology (GMDAT) in Korea, which already is improving GM's competitive position in both emerging and mature markets around the world. Last year, it doubled its exports, while GM plants in China, India and Thailand began assembly of GMDAT vehicle kits for sale in their local markets.

In today's increasingly global auto industry, the winners will be those companies that best combine the efficiencies of global scale with a superb focus on local markets. In both of those regards, I like GM's position.

In the purchasing of parts and commodities, for example, we have consolidated our operations over the last decade into one Worldwide Purchasing organization using a common sourcing process.

Today, our plants around the world utilize a common manufacturing process, common support systems and identical performance scorecards. And more and more of our plants are capitalizing on the benefits of flexible manufacturing.

As a result, our productivity has been going up steadily for years, the number of warranty claims has fallen sharply, and our quality scores have improved dramatically. We expect those trends to continue.

We're also driving unprecedented global integration in GM Powertrain, planning for the future not only within GM, but also with our global partners. This is allowing us to reduce the number of core powertrains we offer, even as we build more variants to meet diverse local needs.

In product development, we are leveraging our global product portfolio more aggressively and creatively than ever before. Important early examples are the Pontiac GTO in the United States, derived from the Holden Monaro in Australia; the Saab 9-2X in North America, derived from the Subaru WRX in Japan; and the expanded distribution of GMDAT cars around the world. The second step, now under way, is to make our new vehicle architectures work on a truly global scale, so they leverage the full potential of GM's size, while producing distinctive cars and trucks that meet local customers' needs.

In purchasing, manufacturing, powertrains and product development, GM has begun to reap the benefits of leveraging global resources while meeting local market needs. The best part is, we're just beginning.

Driving "Gotta Have" Products

Over the last few years, we've talked a lot about the exciting new GM cars and trucks in the pipeline. Now we're delivering on the promise of "gotta have" products, and it's no longer just GM doing the talking.

Consider these recent comments from some of the leading automotive publications around the world:

> *"What GM has delivered ... is a superbly crafted, tastefully styled, tautly muscled grand-touring car that stimulates your brain, not your kidneys. That such a suave machine wears the Pontiac badge may be the biggest – and the most pleasant – surprise of all."*
>
> *Motor Trend* on the Pontiac GTO, December 2003

> *"My word, Opel, the new Astra is impressive! This design is quite something. Neat parting in the front, dynamic highlights and an excitingly styled rear ... the Russelsheim carmaker is showing courage and presents a very aggressive Astra."*
>
> *Auto Bild,* Feb. 20, 2004

> *"When I sat in the back of the Buick Excelle, I realized why Shanghai GM had such confidence in this product. The interior space and the high quality of workmanship greatly exceeded my expectations for an intermediate vehicle."*
>
> *Car and Motor Magazine* (China), Aug. 1, 2003

This year, we've got another onslaught of exciting new products arriving to delight drivers around the world, including the all-new, sixth-generation Chevrolet Corvette and the rear-drive Cadillac STS sedan in North America, the stylish new Opel/Vauxhall Astra series and sporty Tigra TwinTop convertible/coupe in Europe, GMDAT's new Lacetti and Matiz, the introduction of Cadillac in China, and an all-new Chevy/Isuzu pickup in Egypt, South Africa, Thailand and Chile.

Driving GM's Brands

GM brought brand differentiation to the world back in the 1920s, when Alfred Sloan created the price ladder of GM marques that offered "a car for every purse and purpose." As the decades passed and our product portfolio expanded, we slowly drifted away from that simple but effective strategy.

Today the GM product revolution again is strengthening our brands, with more innovative marketing that better understands the customer. Witness the incredible renaissance of Cadillac, led by all-new cars and trucks that have gone in a unique design direction, and by marketing that really connects with potential buyers.

Building on the success of the CTS sedan and Escalade series of SUVs, Cadillac's renaissance was enhanced further last year with the highly praised XLR roadster, the SRX performance utility vehicle, and the stunning Sixteen concept car. To reclaim the mantle of "Standard of the World," Cadillac must continue to move further upscale to offer the ultimate statement of luxury. Stay tuned.

We've learned some valuable lessons at Cadillac: In short, develop distinctively designed, high-quality vehicles that truly delight the customer, create an ownership experience that reflects and reinforces the brand's image, support this with strong and innovative advertising, and the buyers will come.

Those lessons are now being applied in North America to our volume leader, Chevrolet, to our performance-oriented brand, Pontiac, and to Buick, which is restoring its reputation for refined, dignified elegance. This emerging multi-brand strategy is being played out around the world. In Europe, the Opel and Vauxhall brands are being rebuilt with a more upscale image through an entire new lineup of exciting products. That effort began with the Zafira, Vectra and Meriva, and continues this year with the all-new Astra and Tigra.

In China, Buick has become a market leader offering refined, aspirational vehicles – securing the position that we want this 100-year-old brand to return to in the United States and Canada. Around the world, from Thailand to South Africa to Russia, Chevrolet is establishing itself as a truly global, mainstream brand that across its lineup offers great value and quality that consumers can trust.

Driving Passion

We're bullish about GM's future. Is the competition tough? Yes. Are the challenges many? Yes. But opportunities abound for those quick enough, smart enough and passionate enough to recognize and seize them.

To be honest, there were times in our history when it seemed that we lost that spirit, that aggressiveness, that passion. Several years ago, veteran automotive journalist David E. Davis Jr. quoted a dealer who told him, "The trouble with GM is that nowhere in America is there a 14-year-old boy with tears in his eyes saying, 'Please, Dad, buy a Lumina!' "

As much as it pained many of us to read that, we knew he was right. We knew we had to restore the passion for our products, and that we had the talent and desire inside GM to bring our company back to the leading edge of design and innovation.

We unleashed that talent and desire, and the fruits of our collective efforts are more evident each day. They are evident in the praise from the automotive media. They are evident in the gleaming Cadillac Escalades ferrying guests to the Academy Awards in Hollywood, and the HUMMER H2s parked outside the trendiest clubs. They are evident in the crowds surrounding the 2005 Corvette at this year's auto shows.

And they're evident every time a 14-year-old begs, "Please, Dad, buy a GTO!"

As another former critic recently asked, "Who fired the Vice President of Boring at General Motors?"

We did. Position eliminated.

Driving Corporate Citizenship

Amid all the change at GM over the past decade, one thing that has remained constant is our commitment to good corporate citizenship, a commitment that the men and women of General Motors have demonstrated daily around the world for most of a century.

Our citizenship today takes many forms, not the least of which is our commitment to maintain a financially healthy company that can continue to provide for the well-being of hundreds of thousands of active and retired employees. There's our commitment toward a sustainable future, through our research to develop affordable, pollution-free, fuel-cell vehicles that could one day take the automobile out of the environmental debate. And there are our employees' countless efforts to be good citizens through donations of time and money that improve daily life in the hundreds of communities we call our home the world over.

Later in this report, you'll find a detailed discussion of GM's corporate citizenship efforts. But it's worth noting here that GM has never lost sight of the value we place on being a responsible corporate citizen, around the globe.

Driving the Road Ahead

As we said on page 1, there's nothing new about our strategy this year. Our priorities and values remain unchanged. We're more determined than ever to keep picking up the pace and to improve our results.

We know that road ahead is still full of challenging twists, turns and surprises. We've driven through plenty of those already, and we've adapted and learned along the way. Now we're shifting into high gear – celebrating our successes on the run, never satisfied, never complacent, but always moving, always forward.

Becoming the best is an unending journey, a constantly changing destination. But that's where we're determined to drive – one car, one truck, one customer at a time.

Rick Wagoner
Chairman and Chief Executive Officer

drive:

Designing, building and selling great cars and trucks that people really want to own. That's the fundamental business of General Motors. It's what drives the market. And it's what drives our financial success. GM is building new cars and trucks with striking designs, great powertrains and thoughtful interiors that feature craftsmanship and refinement.


great products

drive: Chevy SSR

Comin' at ya. Striking design, technical innovation and a strong dose of heritage are hallmarks of the world's first convertible sport pickup truck. Part roadster. Part pickup. All jaw-dropping inspiration. The new Chevy SSR transforms from a fully enclosed roadster to convertible in less than 30 seconds. Innovation unleashed.

drive: Chevy Cobalt SS

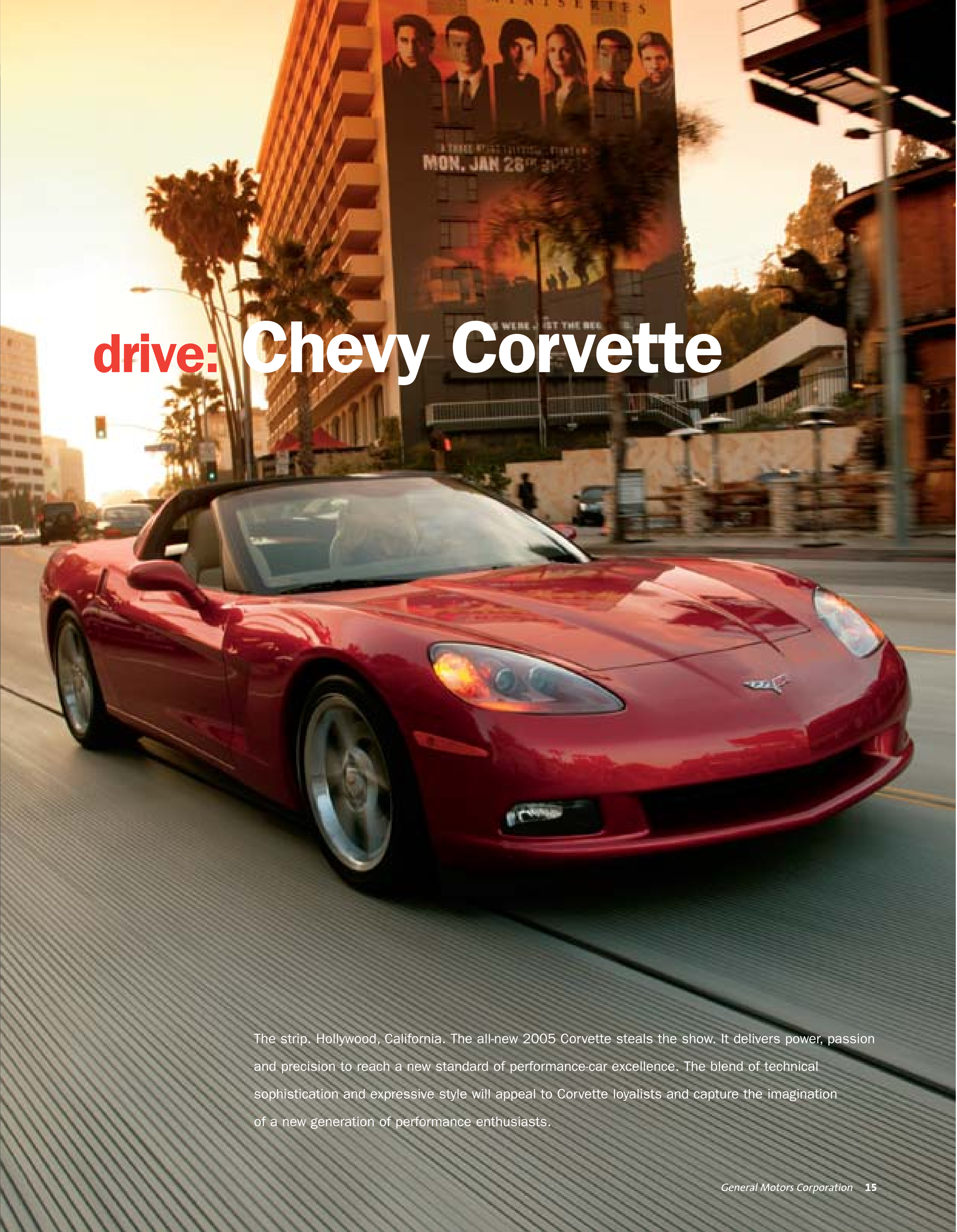
The 2005 Chevrolet Cobalt is an all-new premium small car featuring an expressive design and a dynamic driving experience. It's one of many new products joining the Chevy revolution in the coming months. The Cobalt and all-new 2004 Aveo will strengthen Chevrolet's position in the entry-level and premium-small-car segments.

drive: GMC Envoy XUV

What's up with that? A whole lot of everything. The GMC Envoy XUV brings unprecedented versatility to your active life. The cargo area is easily converted from fully enclosed to open-air for transporting tall or bulky cargo. It's an example of the innovative spirit that's engrained in GM's design DNA. It's the same spirit that drives our competitive strength.

drive: Opel Astra

Third-generation product, first-class features. The all-new Opel Astra symbolizes the renaissance of GM in Europe. The Astra is a milestone car in its class, boasting fine features typically reserved for luxury lines. Taut surfaces and crisp details wrap the exterior. The interior is clothed with visual and textural quality. The progressive design, inside and out, combines with incredible driving dynamics to make a bold statement in the European compact-car segment.



drive: Chevy Corvette

The strip. Hollywood, California. The all-new 2005 Corvette steals the show. It delivers power, passion and precision to reach a new standard of performance-car excellence. The blend of technical sophistication and expressive style will appeal to Corvette loyalists and capture the imagination of a new generation of performance enthusiasts.

drive: GMC Canyon

The rules of the game have changed. Advantage: the all-new Pontiac G6. This sports sedan reinvigorates the midsize segment with contemporary design, total performance and exceptional attention to detail. It emphasizes Pontiac's fresh design direction and renewed performance spirit – and demonstrates GM's commitment to leadership in the passenger car market.

drive: Pontiac G6

We're raising the bar and setting new standards in the truck market. The new GMC Canyon (shown below) and the Chevrolet Colorado raise the standard for midsize pickups by providing consumers with more power, more space, greater functionality and a comprehensive range of models. GM's total truck sales for 2003 set a new industry record of 2.8 million units.


drive:

design

Compelling design excites customers and connects with them on an emotional level. Well-designed vehicles turn heads and fire the imagination. Our goal is to develop cars and trucks that have an emotional appeal for a new generation of consumers – cars and trucks that people feel they must have. Design clearly matters. It's a symbol of excellence for GM, and it's a competitive advantage in attracting customers.

Comments from
Bob Lutz
Vice Chairman,
Product Development
and Chairman,
GM North America

How to get there from here

No other product in the world has the ability to inspire passion quite like the automobile. Passion can be generated by different aspects of a vehicle. A terrific powertrain, superb vehicle dynamics, great cornering, good road manners – these attributes can all appeal to someone's passion for driving. But what really creates passion for a vehicle is design. Good design is more than just looking pretty. The physical appearance of a vehicle speaks volumes about its brand, its heritage and its performance characteristics. Compelling exterior design

Design is

makes an initial emotional connection, and an equally captivating interior seals the deal.

Design has ascended to a new level of importance at GM, and it's a fun place to be right now. Our goal is to move beyond artificial limitations and ignite people's intellect, creativity and passion. We are harnessing this power to launch a series of products with beautiful designs, great powertrains and unprecedented levels of interior craftsmanship and refinement.

I've been asked exactly *when* we will introduce a vehicle that says "We've arrived. *This* is where we want to be." Well, the answer is "Never." We will *never* get to a point where we're satisfied and think everything is perfect. We will *always* be attempting to improve our exterior and interior execution.

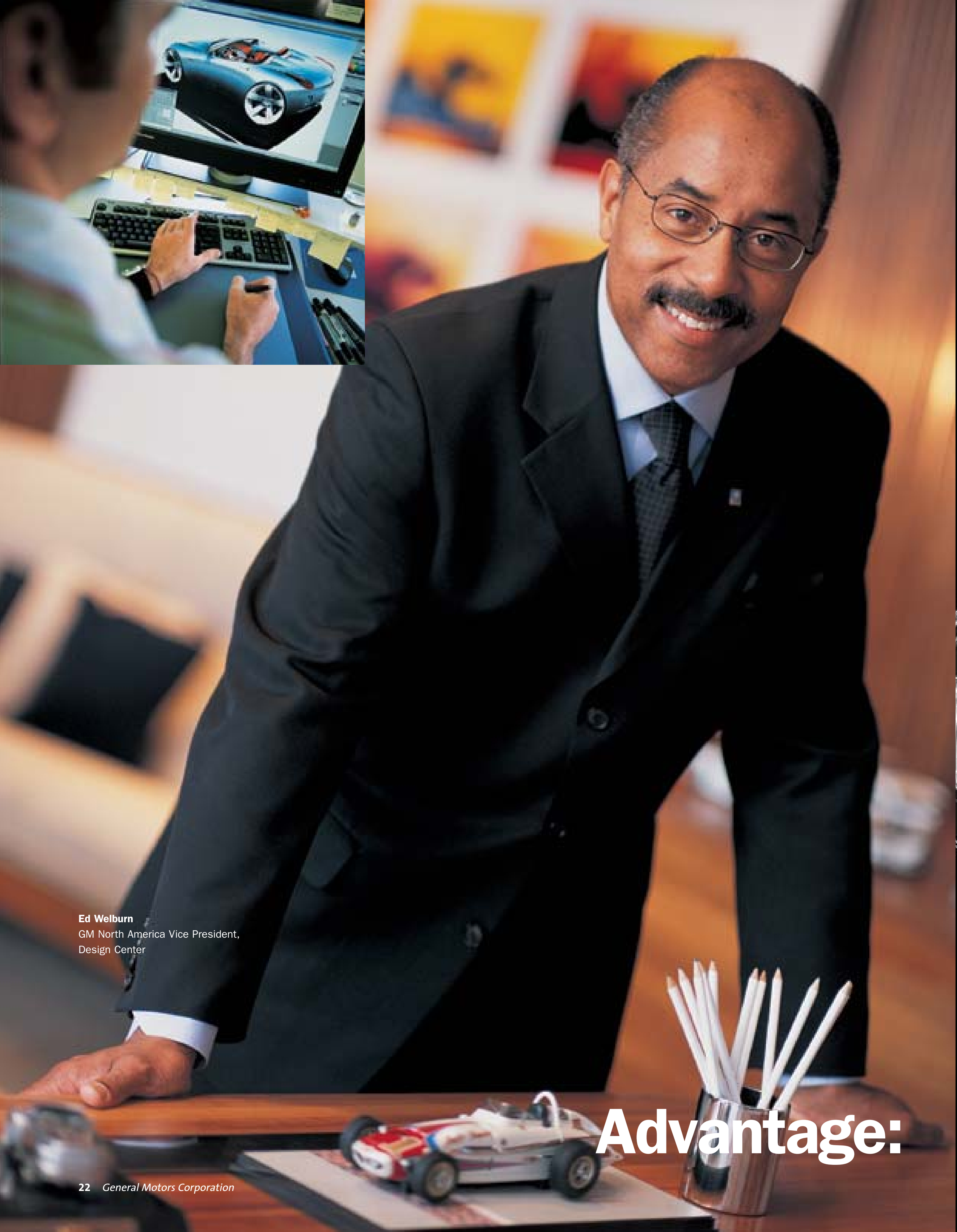
We can build many different product variants in multiple locations around the world by leveraging a common global architecture strategy. This gives our designers and engineers much more freedom to create far more different vehicles than ever before, tailor them for regional markets and harness our global economies of scale. In short, we will create better products, with more appeal, for less cost.

The other part of the equation is this: We must deliver great products, better than they've ever been – and we must have strong brands for those products. You can't maintain strong brands by relying on marketing; you need great products to define great brands.

Our new products will redefine our brands, and we have the will to make them best-in-class, in every class. Our goal is to create vehicles that set the benchmark in their respective segments. That's the final piece of the puzzle – to create the best vehicles people can buy the world over, exactly the way they want them, at prices they can afford. That is the road map to strong brands, a healthy company and a robust bottom line.

Opel Insignia Concept

what creates passion



Ed Welburn
GM North America Vice President,
Design Center

Advantage:

Leveraging global resources and capabilities while meeting local market needs is a key competitive strength for General Motors. The diverse and gifted talent base (represented by the GM designers and sculptors pictured below) carries on the tradition of great design. The new Pontiac GTO, developed from the base of the Holden Monaro, is a great example of the strength of GM's global vehicle-development capability. The GTO program marshaled resources in Australia and the United States and was developed in less than two years. A flexible vehicle-architecture strategy allows GM to optimize resources globally, take better advantage of our economies of scale and develop products tailor-made for each region. For example, the Epsilon architecture has spawned the Opel Vectra, Saab 9-3, Chevy Malibu and Pontiac G6.

Buick Velite Concept technical drawing

Global resources

drive:

“Build.” That’s the English translation for the symbol in this photo. GM continues to build its position in some of the world’s fastest-growing automotive markets, such as China, while strengthening its position in more-established markets like North America and Europe. We are aggressively pursuing growth in all regions to build our revenue base and increase profits.

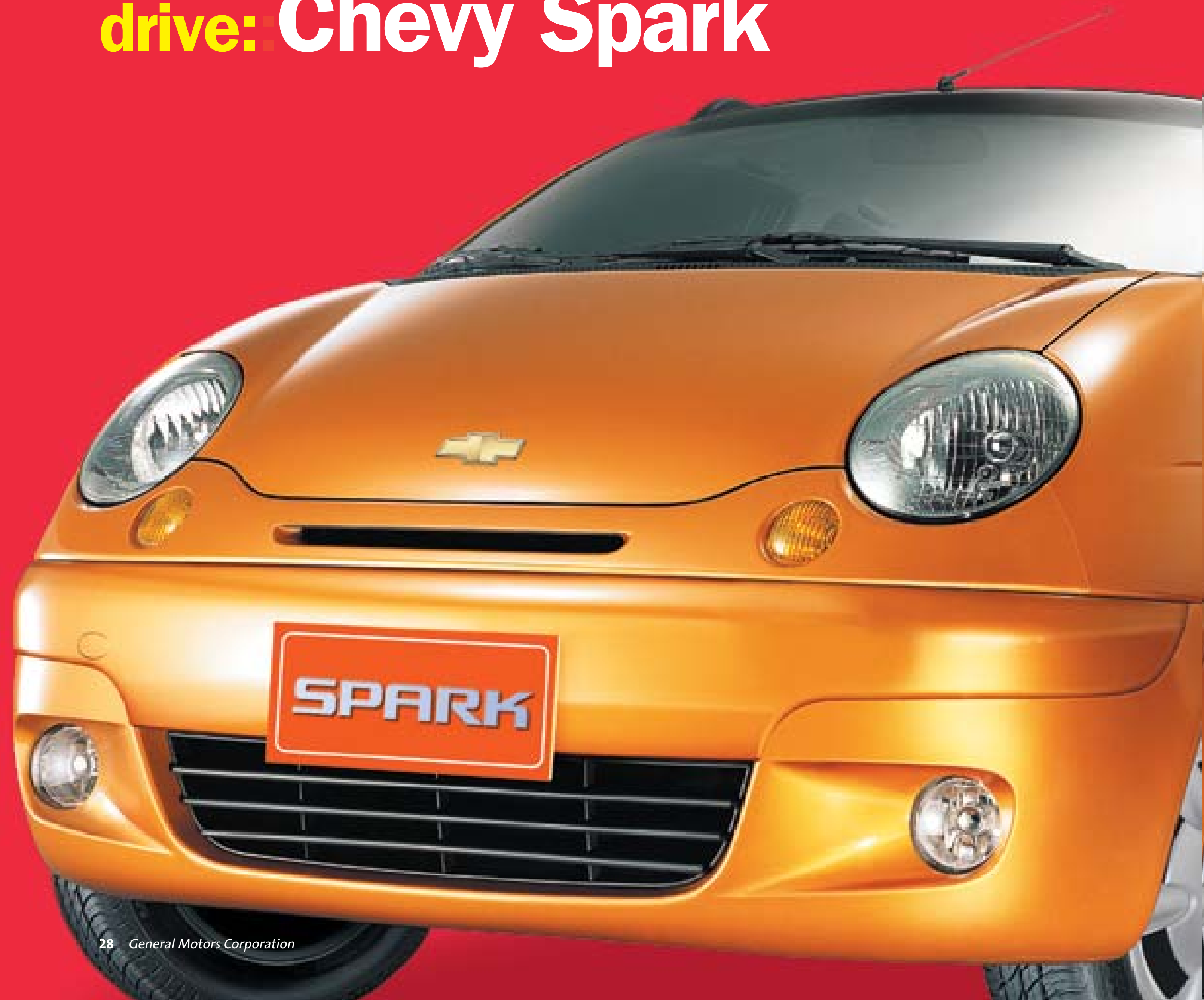
markets

24-hour test drive

Great products are fundamental to our success. Consumers have many choices today. We must make sure they know the GM advantages. Our dealers play an important role in communicating the value of our cars and trucks. So do aggressive marketing programs like the 24-hour test drive, which got people behind the wheel of GM cars and trucks overnight, allowing them to become better acquainted with our vehicles. About 35 percent of the people who participated in the program bought the product they tested, resulting in nearly 200,000 sales. Another program that added buzz and drove people into dealerships was the “Hot Button” campaign, which offered consumers a chance to win a car or truck by pushing the OnStar button in specially designated vehicles.

In 2003, China became the world's third-largest automotive market, and we expect continued sales growth in this rapidly expanding market. GM is well-positioned to participate in this boom by broadening its product line with new vehicles like the Chevy Spark, which was selected as "Car of the Year 2004 – Performance" by a poll of automotive journalists and industry experts. Spark is the first mini-car produced by GM's SAIC-GM-Wuling joint venture and the first Chevrolet car manufactured in China.

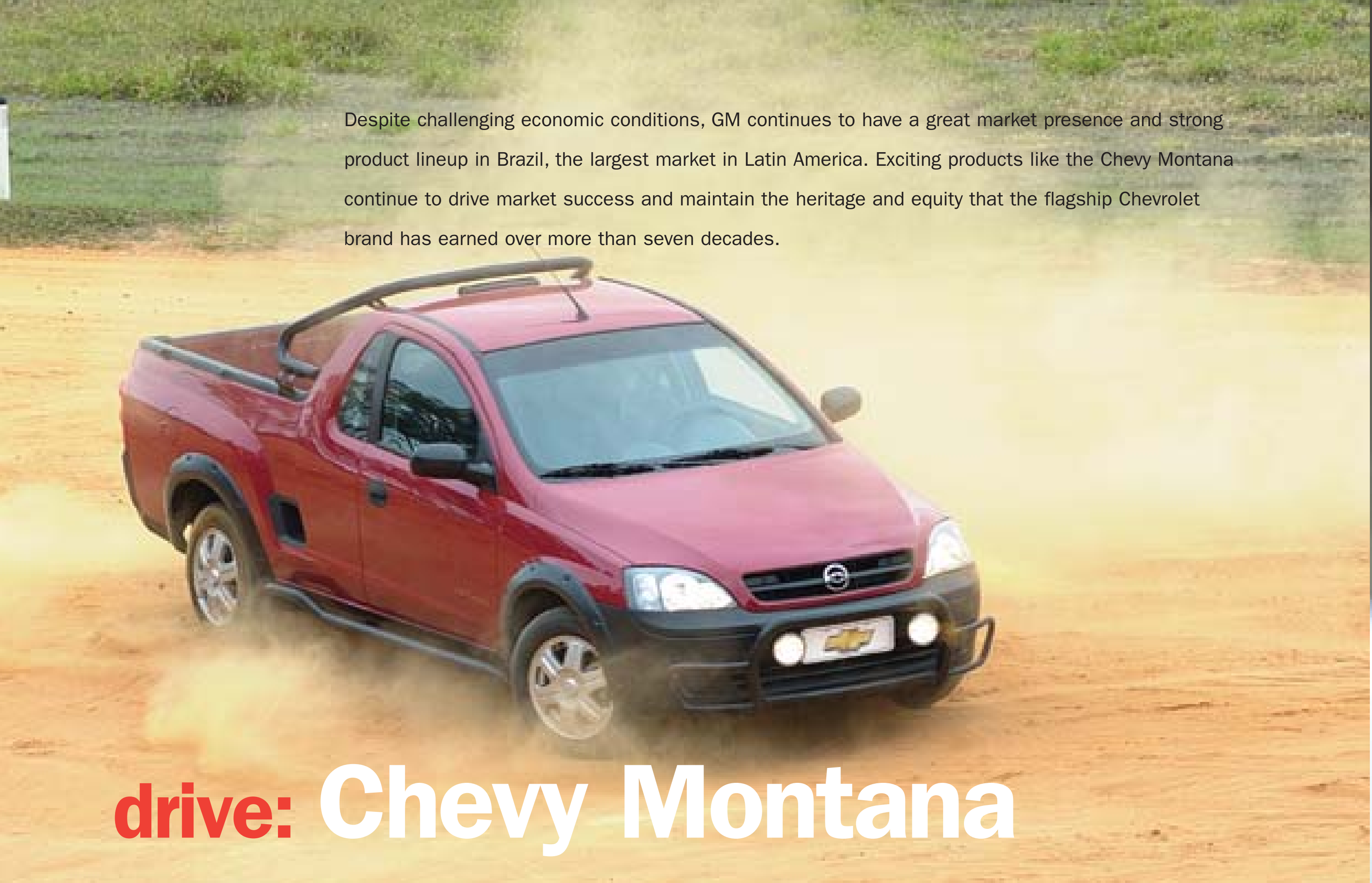
drive: Chevy Spark



drive:
Daewoo Lacetti HB

GM Daewoo Auto & Technology Company (GMDAT) is playing a major role in fueling growth in the Asia Pacific region. GMDAT not only provides GM with a major presence in the large Korean market, it also gives us very strong product-development capabilities to help us grow in other markets around the world – China, India, Thailand, other developing markets, and Europe and North America as well.

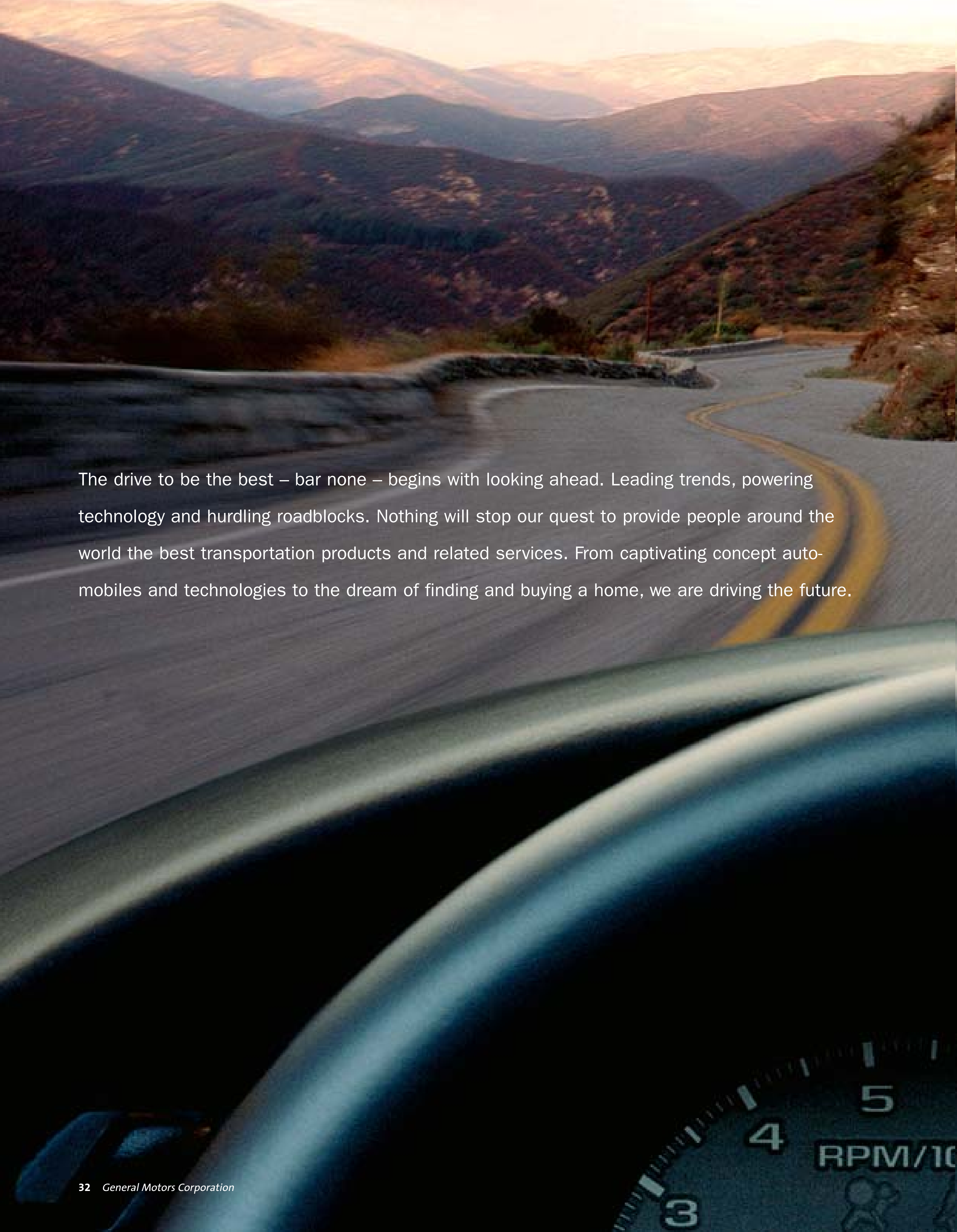
Despite challenging economic conditions, GM continues to have a great market presence and strong product lineup in Brazil, the largest market in Latin America. Exciting products like the Chevy Montana continue to drive market success and maintain the heritage and equity that the flagship Chevrolet brand has earned over more than seven decades.



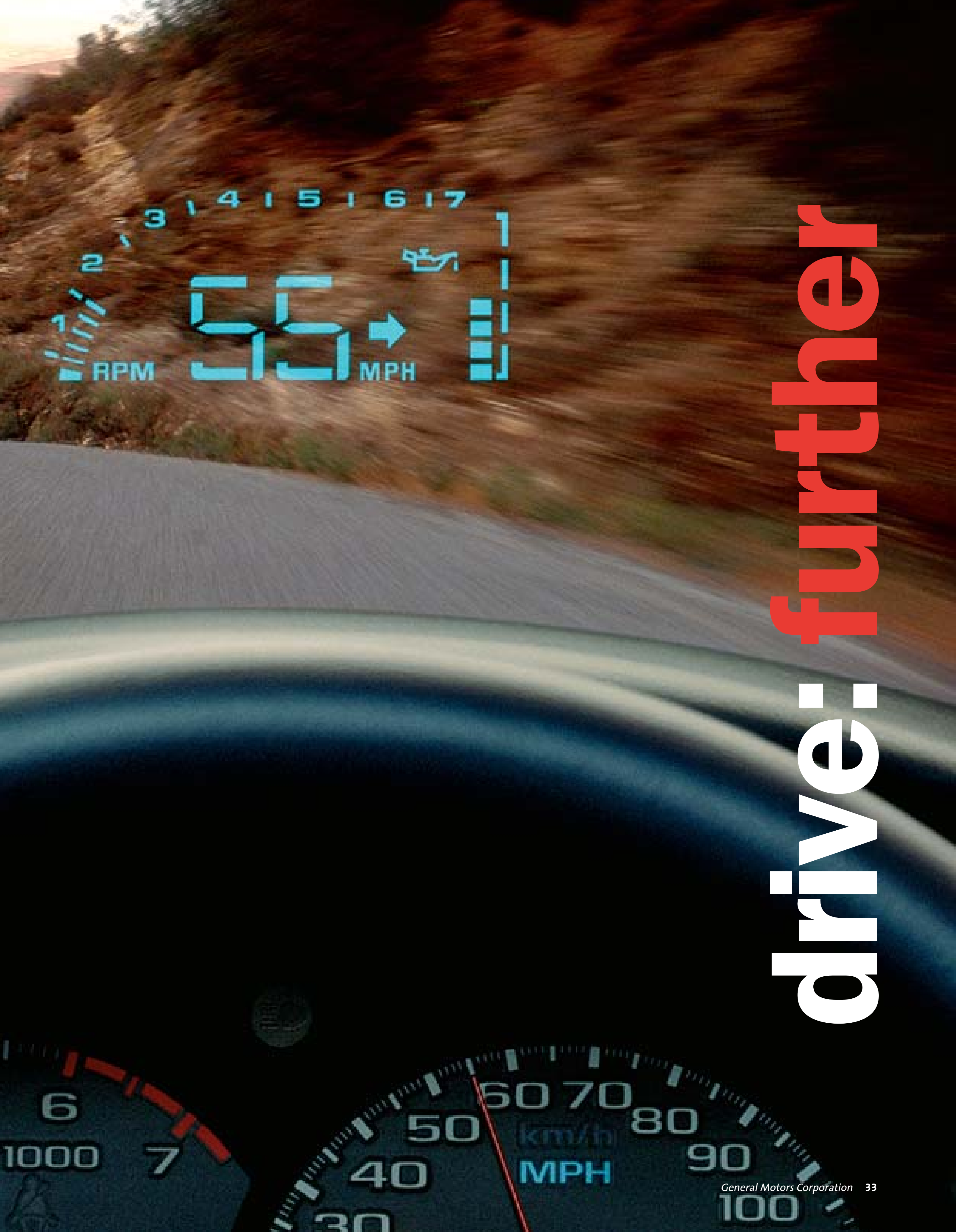
drive: Chevy Montana

drive: Saab 9-3

Saab is driving into new markets with its expanded product line. This global brand is delivering the most new products in its history. In addition to the new 9-3 convertible, pictured here, Saab is venturing into new territory with this year's introduction of a new premium all-wheel-drive sports compact, and its first sport utility vehicle next year. The Saab expansion adds to a string of successful new products for GM Europe, where revenue growth and brand revitalization are key guideposts.



The drive to be the best – bar none – begins with looking ahead. Leading trends, powering technology and hurdling roadblocks. Nothing will stop our quest to provide people around the world the best transportation products and related services. From captivating concept automobiles and technologies to the dream of finding and buying a home, we are driving the future.



drive: further

24/7, OnStar is assisting drivers and giving GM an edge in the market. OnStar is the nation's No. 1 provider of in-vehicle safety, security and information services using the Global Positioning System satellite network and cellular technology. In 2003, OnStar continued to pace the industry by providing valuable services such as accident crash notification, GM Goodwrench Remote Diagnostics, remote door unlock, hands-free personal calling and emergency services to over 2.5 million subscribers. OnStar is available on more than 50 GM models, ranging from small and midsize sedans to crossovers, light trucks, SUVs and luxury sedans. OnStar has had more than 27 million interactions with subscribers, offering services by English-, Spanish- or French-speaking advisors, 24 hours a day.

250,000 route-support calls per month; 20,000 GM Goodwrench remote diagnostic calls per month

5 million personal calls per month

8,000 emergency calls per month; 3,000 Good Samaritan calls per month

Over 2,500,000 subscribers

GMAC helps turn people's dreams into reality – whether it's a new car or truck, a new home, financial security or even insurance for some of those dreams. If product is the heart of GM, GMAC is the main artery – an artery that has delivered nine straight years of earnings growth. With a presence in 41 nations, GMAC provides automotive financing; insurance and mortgage products; real estate and banking services; and commercial financing. GMAC plays a major role in supporting GM's auto sales around the globe. The powerhouse subsidiary remains focused on providing value to customers and contributing strong earnings to the bottom line, with innovative wholesale and retail financing to promote the sale of GM cars and trucks all over the world.

GMAC: Home sweet home

Beginning with one great idea, the new Kappa rear-wheel-drive architecture sets a solid foundation for a distinctive set of vehicles. The all-new 2005 Pontiac Solstice is the first out of the production gate for this architecture, but several exciting concept vehicles demonstrate the architecture's adaptability. This world-class platform has a truly global bloodline. Advanced design studios in Great Britain, Sweden and the United States pooled their resources to collaborate on the designs.

drive: Pontiac Solstice

Saturn Curve

Chevy Nomad

The flexible Kappa architecture is the base for a distinct set of GM concepts. From the engaging Saturn Curve to the expressive Chevrolet Nomad to the evocative Vauxhall Lightning, each of these vehicles has something different to say. And their tantalizing designs speak loudly to their respective target drivers. The Curve suggests Saturn's next step in its styling and product evolution with dynamic, refined designs. Not a sedan, wagon or SUV, the Nomad is a unique vehicle that simultaneously conveys spirited driving and practicality. The distinctive styling and clever details represent another direction in leveraging a sports car platform. The Lightning, designed for British tastes, has international flair with sweeping lines and stunning details. The perfect roadster to set British blood afire with passion.

Vauxhall Lightning


drive:

GM owners. Short. Tall. Small. Big. Young. Old. Female. Male. General Motors designs, manufactures and sells

the cars and trucks that people in more than 190 countries love to drive. As the world's largest automotive com-

pany, we offer 15 nameplates, operate 150 manufacturing, assembly and warehousing facilities, and provide a

broad range of financial and related services in four regions: GM North America, GM Europe, GM Asia Pacific, and

GM Latin America, Africa and Middle East. In 2003, we captured 14.7 percent of the world automotive market.

Driving results to the bottom line is key to our long-term success. At General Motors, the business road map we follow keeps our engineering, manufacturing, sales and marketing activities all moving in the same direction – focused on delivering great products and services that provide value to our customers and our stockholders. We are taking actions across the board to further strengthen our market leadership, improve our operating results and increase shareholder value.

The automotive business is extremely challenging no matter how you look at it. It is complex, demanding and continuously changing. It's a highly capital-intensive business, the competition is fierce and the margins are slim. But it's a very exciting business, and the rewards for winning the competitive battle are tremendous.

GM is the global market leader, and we intend to keep that No. 1 position by continuing to play to our strengths and continuously improving the way we do business. Our long-standing operational and sales presence around the world gives us a competitive advantage. We have strong product-development and manufacturing centers in North America, throughout Europe, in Brazil and Australia – and more recently in Korea and China.

We have a portfolio of strong global brands – Chevrolet, Cadillac and Saab; Opel in Europe; Buick in North America and China; Vauxhall in the United Kingdom; Holden in Australia; Daewoo in Korea; HUMMER, GMC, Pontiac and Saturn in North America. Equally important, GM has strong distribution networks to match.

The outstanding performance of our financial-services subsidiary, GMAC, complements our diverse global automotive operations, providing support for dealers and customers as well as offering other services such as mortgages and insurance. When you combine this with our operational and sales global footprint, the strength of our product portfolio, our leadership in powertrains and our ability to leverage global partnerships, you end up with a competitive edge that gives us reason to be optimistic about the future of General Motors.

That said, we have tough challenges that will confront us in the years to come. Overall, we generated a solid profit in 2003 and beat our earnings target. However, the financial performance of our core automotive operations was below our 2002 results, in large part because of pension and health-care costs in the United States. Our Asia Pacific operations continued to be a bright spot, with strong performance in China and Australia.

We are working hard to improve our automotive profitability. We're rolling out a record number of new products and continuing to lower our material and structural costs. We know that great products and brands drive strong financial results. Delivering the best products is key to our goal of increasing revenue, boosting profits and expanding market share.

However, there are some serious public-policy roadblocks that affect our ability to deliver stronger results. While we took aggressive actions to get our U.S. hourly and salaried employee pension plans fully funded in 2003, soaring health-care costs remain a major challenge for us and all U.S. companies.

General Motors is the largest private purchaser of health care in the United States. We spent $4.8 billion in cash during 2003 on health care for our 1.1 million U.S. employees, retirees and their dependents. That's more than we spent on steel. Foreign competitors don't face this problem in their home countries, and those operating in the United States incur only a fraction of this cost because their workforce is younger and they have far fewer employees and retirees. On an expense

"Great products and brands

basis, every vehicle GM manufactures in the United States starts with a $1,400 bill for health care.

While average health-care expenses continue to rise by about 14 to 18 percent a year overall, GM's rate of increase is significantly lower – a per-member increase of 7.7 percent in 2003 – because we are working very hard to manage our costs while meeting our obligations. We have an expert team in place focusing on quality of care, eliminating waste and finding ways to reduce costs effectively.

The rising cost of health care is a serious social issue that requires more than our own best efforts. Cooperation between the private and public sectors is critical to finding solutions that will meet the nation's health-care needs and help restore competitive balance for U.S. businesses.

We know that in the end, the only way to effectively manage the challenges of the business is to design and manufacture the best products at the lowest cost. We must remain aggressive in the marketplace, improve our profitability, generate strong operating cash flow and build up our balance sheet to assure that we can fund our future capital expenditures to keep the momentum going.

That is an absolute top priority of General Motors.

Comments from
John Devine
Vice Chairman and
Chief Financial Officer

drive strong financial results"

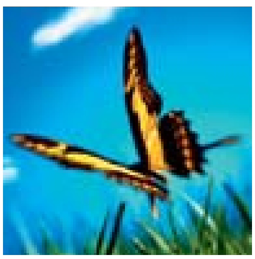

drive:
commitment

Corporate and Social Responsibility

General Motors has been committed to improving people's lives by providing mobility through vehicles and services for nearly 100 years. But our commitment means far more. It also means operating responsibly, providing economic opportunity and protecting the environment.

It's part of a long tradition of doing business the right way – with integrity. Integrity is the road map to leadership in products and business results, and in addressing social concerns.

General Motors also has a long history of business and technological innovation designed to deliver ever-increasing value to our customers and society. We are continually improving existing technology – such as the internal combustion engine – to achieve better efficiency, fuel economy and performance. In 2003, we announced plans to offer three different hybrid-propulsion systems on more than a dozen of our most popular models. Over the longer term, our focus is on hydrogen fuel cells because we believe they are the ultimate solution for optimizing vehicle capabilities while minimizing the automobile's impact on the planet.



Our commitment to the environment and society extends beyond technology. It means being a positive force in the communities in which we operate, through the ingenuity and dedication of our people, our contribution to the economy, the taxes we pay and our charitable giving. We are investing in process improvements by working to reduce energy consumption, facility emissions and landfill disposal, and by increasing reuse, recycling and redevelopment of surplus properties.

GM is making additional investments in the future of these communities through a long-standing commitment to education. To help foster a successful learning environment in which students can become strong problem solvers and critical thinkers, GM has been a consistent contributor to education – both intellectually and monetarily.

GM programs include hands-on educational activities, such as math and science mentoring programs involving GM engineers and scientists, technology curriculum development and a Web site to help students and parents learn about environmental, energy and technology issues.

GM is the lead sponsor for "America on the Move" at the Smithsonian's National Museum of American History, a multimedia educational experience on transportation's role in America's history. At 26,000 square feet, it is the museum's largest-ever exhibition. "America on the Move," which will anchor the museum's new General Motors Hall of Transportation, is a collaboration of almost a dozen historians at the museum, with expertise in transportation, social and labor history. A virtual tour of the exhibit is available online *(http://www.americanhistory.si.edu/onthemove).*

More information regarding our commitment to corporate responsibility can be found on the GMability Web site *(http://www.gm.com/company/gmability).*

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 General Motors Acceptance Corporation (GMAC) Annual Report on Form 10-K for the period ended December 31, 2003, filed separately with the 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 the following businesses: Automotive and Other Operations (Auto & Other) and Financing and Insurance Operations (FIO).

GM's reportable operating segments within its Auto & Other business consist of:

- GM Automotive (GMA), which is comprised of four regions: GM North America (GMNA), GM Europe (GME), GM Latin America/Africa/Mid-East (GMLAAM), and GM Asia Pacific (GMAP); and
- Other, which includes the design, manufacturing and marketing of locomotives, the elimination of intersegment transactions, certain non-segment specific revenues and expenditures, and certain corporate activities.

GM's reportable operating segments within its FIO business consist 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.

Results of Operations

Consolidated Results

GM's total net sales and revenues were $186 billion, $177 billion, and $169 billion for 2003, 2002 and 2001, respectively, and GM's net income was $3.8 billion, $1.7 billion, and $601 million for 2003, 2002 and 2001, respectively.

	Years ended December 31,		
(Dollars in millions)	**2003**	2002	2001
Total net sales and revenues	**$185,524**	$177,324	$169,051
Income from continuing operations	**$ 2,862**	$ 1,975	$ 1,222
Net income	**$ 3,822**	$ 1,736	$ 601
Net margin from continuing operations	**1.5%**	1.1%	0.7%

The increase in 2003 total net sales and revenues, compared with 2002, was due to increases in GMA revenue of $5.2 billion, despite lower GMNA and global volumes and worldwide pricing competitiveness, and increases in FIO revenue of $2.6 billion. The increase in 2002 total net sales and revenues, compared with 2001, was largely due to an increase in wholesale sales at GMA.

Despite increased revenues, cost savings, and strong equity income in 2003 compared to 2002, continued automotive pricing pressures, higher pension and other postretirement employee benefit (OPEB) expenses in the U.S., and unfavorable foreign currency exchange resulted in GMA net income decreasing in 2003 compared to 2002. GMAC had record net income of $2.8 billion in 2003, compared to $1.9 billion in the prior year, due primarily to income growth from GMAC's mortgage operations. The increase in 2002 net income compared to 2001 was primarily due to increased volumes at GMA offset partially by pricing pressures in North America and Europe.

2003 highlights included:

- Market share increased in three of four automotive regions;
- Strong cash flow was generated;
- GM fully funded the combined U.S. hourly and salaried pension plans with $18.5 billion in total contributions;
- Pension plans earned an approximate 22% return on assets;
- Completed the Hughes transactions (1);
- GMAC and GMAP each generated strong net income; and
- GM completed the sale of its defense business

(1) *In the Hughes transactions, GM split off Hughes by distributing Hughes common stock to the holders of GM Class H common stock in exchange for all the outstanding shares of GM Class H common stock. Simultaneously, GM sold its 19.8% economic interest in Hughes to News Corporation in exchange for cash and News Corporation Preferred American Depositary Shares (Preferred ADSs).*

GM Automotive Financial Review

GMA's total net sales and revenues were $155 billion, $149 billion, and $142 billion for 2003, 2002, and 2001, respectively, and GMA's net income was $553 million, $2.0 billion, and $445 million for 2003, 2002, and 2001, respectively.

	Years ended December 31,		
(Dollars in millions)	**2003**	2002	2001
GMA total net sales and revenues	**$154,513**	$149,355	$141,939
GMA net income	**$ 553**	$ 1,988	$ 445
GMA net margin	**0.4%**	1.3%	0.3%
Net income (loss) by region			
GMNA	**$ 811**	$ 2,992	$ 1,348
GME	**(504)**	(1,011)	(765)
GMLAAM	**(331)**	(181)	(81)
GMAP	**577**	188	(57)
Net income	**$ 553**	$ 1,988	$ 445
GM global market share	**14.7%**	15.0%	15.0%

The increase in 2003 total net sales and revenues, compared with 2002, was largely due to favorable product mix and a weaker U.S. dollar, partially offset by unfavorable pricing pressures in North America and Europe and lower wholesale volumes. The increase in 2002 total net sales and revenues, compared with 2001, was largely due to an increase in wholesale sales volumes partially offset by unfavorable pricing pressures in North America and Europe. GM's global market share was 14.7% and 15.0% for the years ended 2003 and 2002, respectively. Market share gains were recognized in three out of four automotive regions (see discussion below under each region) with GMNA posting a 0.5 percentage

Results of Operations *(continued)*

point decline, to 27.4%. As GM introduces several new models for 2004 and overall economic conditions improve, GM's goal is to achieve market share growth in all regions during 2004.

The decrease in GMA's 2003 net income compared with 2002 was a result of lower wholesale sales, continued pricing pressures in North America and Europe, increased pension and OPEB expense in the U.S., and unfavorable foreign exchange, partially offset by continued strong product mix, material cost savings and strong equity results at GMAP. The increase in 2002 net income, compared with 2001, was primarily due to an increase in wholesale sales volume, favorable product mix, and reduced structural and material costs. These favorable conditions more than offset the unfavorable effect of pricing pressures experienced in North America and Europe.

GM Automotive Regional Results

GM North America

	Years ended December 31,		
(Dollars in millions)	**2003**	2002	2001
GMNA:			
Net income	**$ 811**	$2,992	$1,348
Net margin	**0.7%**	2.6%	1.2%
(Volumes in thousands)			
Wholesale sales			
Cars	**2,340**	2,547	2,441
Trucks	**3,267**	3,174	2,746
Total GMNA	**5,607**	5,721	5,187
Vehicle unit sales			
Industry – North America	**19,821**	20,118	20,250
GM as a percentage of industry	**27.4%**	27.9%	27.6%
Industry – U.S.	**16,966**	17,144	17,475
GM as a percentage of industry	**28.0%**	28.3%	28.1%
GM cars	**25.7%**	25.4%	26.9%
GM trucks	**29.9%**	31.0%	29.2%

North American industry vehicle unit sales decreased to 19.8 million units during 2003. With this decrease in industry sales, GMNA's market share decreased by 0.5 percentage points. GMNA ended the year with a market share of 27.4% for 2003, compared to 27.9% for 2002.

During 2003, industry vehicle unit sales in the United States decreased slightly to 17.0 million units. In conjunction with this slight decrease in industry volume, GM's U.S. market share decreased by 0.3 percentage points. GM ended the year with a market share of 28.0% for 2003, versus 28.3% for 2002. U.S. car market share rose modestly by 0.3 percentage points to 25.7%, while U.S. truck market share ended the year at 29.9%, down 1.1 percentage points, contributing to the slight decline in overall U.S. market share. As GM introduces several new models in North America during 2004, GM anticipates increasing market share in the United States and North America during 2004.

Net income from GMNA totaled $811 million, $3.0 billion, and $1.3 billion in 2003, 2002, and 2001, respectively. The decrease in GMNA's 2003 net income from 2002 was primarily due to unfavorable pricing, increased pension and OPEB expense in the U.S., and higher currency-exchange losses. During 2003, GMNA incurred charges of $448 million, after tax, related to the October 2003 contract with the United Auto Workers (UAW), which provided for lump-sum payments and vehicle discount vouchers for retirees and adjusted a previously established reserve for idled workers, primarily related to the Janesville, Wisconsin plant, resulting in $103 million of income, after tax. Also, GMNA incurred various structural cost adjustments, asset impairment and other charges, favorable interest income from settlement of prior year tax matters, and income related to the market valuation of XM Satellite Radio warrants. These items netted to approximately $90 million of income for the year.

Vehicle revenue per unit was $18,992 for 2003, compared with $18,698 for 2002. Even though trucks as a percent of total sales were flat, mix remained strong during 2003, as customers continued to buy upgraded vehicles which resulted in revenue per unit growth of $294.

The increase in 2002 net income from 2001 was primarily due to an increase in wholesale sales volume, improved product mix, material and structural costs reductions, and interest income from the resolution of certain prior tax years, partially offset by an increase in pension expense, OPEB expense and unfavorable price. In addition, during 2002, GMNA incurred charges of $116 million, after tax, primarily related to costs associated with the transfer of commercial truck production from Janesville, Wisconsin, to Flint, Michigan.

GM Europe

	Years ended December 31,		
(Dollars in millions)	**2003**	2002	2001
GME net loss	**$ (504)**	$(1,011)	$ (765)
GME net margin	**(1.8)%**	(4.2)%	(3.2)%
(Volumes in thousands)			
Wholesale sales			
Cars	**1,563**	1,545	1,666
Trucks	**94**	100	94
Total GME	**1,657**	1,645	1,760
Vehicle unit sales			
Industry	**19,468**	19,172	19,705
GM as a percentage of industry	**9.4%**	9.1%	9.1%
GM market share – Germany	**10.5%**	10.3%	11.4%
GM market share – United Kingdom	**13.7%**	13.1%	12.7%

While industry vehicle unit sales remained relatively flat in Europe during 2003 (an increase of approximately 300,000 units over 2002), GME increased its total market share to 9.4%, up 0.3 percentage points from 2002. In two of GM's largest markets in Europe, GM continued to perform well with increased market share gain: market share increased to 10.5% in Germany, a 0.2 percentage point increase over 2002, and 13.7% in the United Kingdom, an increase of 0.6 percentage points over 2002.

Net loss from GME totaled $504 million, $1.0 billion, and $765 million in 2003, 2002, and 2001, respectively. The decrease in GME's 2003 net loss from 2002 was primarily due to favorable product mix, and reduced material and structural costs. These favorable conditions were partially offset by unfavorable pricing and foreign currency translation as the euro and Swedish krona strengthened relative to the U.S. dollar during 2003. GME's net loss included a restructuring charge in 2003 of $218 million, after tax, related to an initiative to improve the competitiveness of GM's automotive operations in Europe (see Note 25 to the Consolidated Financial Statements).

Results of Operations *(continued)*

The increase in GME's 2002 net loss from 2001 was primarily due to a decrease in wholesale sales volumes driven by a weak European industry, continuing competitive pricing pressures and a restructuring initiative implemented in the first quarter of 2002, which resulted in a charge of $407 million, after tax. These decreases were partially offset by improved material and structural cost performance.

GM Latin America/Africa/Mid-East

	Years ended December 31,		
(Dollars in millions)	**2003**	2002	2001
GMLAAM net loss	**$(331)**	$(181)	$ (81)
GMLAAM net margin	**(6.1)%**	(3.5)%	(1.4)%
(Volumes in thousands)			
Wholesale sales			
Cars	**438**	443	463
Trucks	**123**	197	203
Total GMLAAM	**561**	640	666
Vehicle unit sales			
Industry	**3,570**	3,673	4,009
GM as a percentage of industry	**16.0%**	15.7%	16.6%
GM market share – Brazil	**23.3%**	23.0%	22.6%

Despite unfavorable economic conditions in Latin America, GM was able to increase overall GMLAAM vehicle market share to 16.0% in 2003.

Net loss from GMLAAM totaled $331 million, $181 million, and $81 million in 2003, 2002, and 2001, respectively. The increase in GMLAAM's 2003 net loss from 2002 was primarily due to continued economic weakness in the region as industry vehicle sales decreased 100,000 units to 3.6 million for 2003. In 2003, GMLAAM incurred asset impairment charges and unfavorable exchange impacts, which were partially offset by net price increases. The increase in GMLAAM's 2002 net loss from 2001 was primarily due to political unrest and economic uncertainty in Argentina, Brazil, and Venezuela, which caused a significant deterioration in the industry for the region.

GM Asia Pacific

	Years ended December 31,		
(Dollars in millions)	**2003**	2002	2001
GMAP net income (loss)	**$577**	$188	$ (57)
GMAP net margin	**10.8%**	4.2%	(1.4)%
(Volumes in thousands)			
Wholesale sales			
Cars	**203**	185	202
Trucks	**70**	220	258
Total GMAP	**273**	405	460
Vehicle unit sales			
Industry	**15,720**	14,373	13,101
GM as a percentage of industry	**4.9%**	4.6%	4.0%
GM market share – Australia	**20.4%**	23.1%	22.4%
GM market share – China	**8.5%**	7.8%	4.1%

GMAP increased its total market share to 4.9%, up 0.3 percentage points from 2002 and GM's market share in China increased to 8.5%, an increase of 0.7 percentage points over 2002. China is now the third largest automotive market in the world and is GM's fourth largest market.

Net income (loss) from GMAP totaled $577 million, $188 million, and $(57) million in 2003, 2002, and 2001, respectively. The increase in GMAP's net income, compared with 2002, was primarily due to strong equity earnings from Shanghai GM and other equity investees, as well as earnings at Holden in Australia. The increase in GMAP's 2002 net income, compared with 2001, was primarily due to equity income improvements from several joint ventures, led by significantly improved results at Shanghai GM. Results from equity investments in 2001 included a restructuring charge of $133 million, after tax, with respect to GM's portion of severance payments and asset impairments that were part of the restructuring of its affiliate Isuzu Motors, Ltd. In 2002, these improvements were partially offset by a decrease in wholesale sales volumes and increases in structural and other costs.

Other Operations

Other Operations' total net sales and revenues include a pre-tax gain of approximately $814 million, or approximately $505 million after tax ($0.90 per diluted share), related to the sale of GM's Defense operations (light armored vehicle business) to General Dynamics Corporation on March 1, 2003. The sale generated net proceeds of approximately $1.1 billion in cash.

Also, Other Operations' results include charges of approximately $277 million ($0.49 per diluted share) related to the October 2003 contract with the UAW which provided for lump-sum payments and vehicle vouchers for Delphi retirees, as well as net interest expense of approximately $200 million related to 2003 debt issuances.

In 2002, GM completed a review of the carrying value of its investment in Fiat Auto S.p.A. (Fiat Auto) which resulted in a non-cash impairment charge of $2.2 billion ($1.4 billion, after tax), recorded in cost of sales. The write-down decreased the carrying value of GM's investment in Fiat Auto Holdings, B.V. (FAH) from $2.4 billion to $220 million with the remaining $220 million being attributable to the investment of FAH in certain joint ventures with GME.

Discontinued Operations

As of the completion of the Hughes transactions on December 22, 2003, the results of operations, cash flows, and the assets and liabilities of Hughes Electronics Corporation were classified as discontinued operations for all periods presented in GM's consolidated financial statements. The transactions resulted in an after-tax gain of approximately $1.2 billion, which is classified as gain on sale of discontinued operations in GM's consolidated statement of income for the year ended December 31, 2003. See Note 2 to the Consolidated Financial Statements for further discussion.

GMAC Financial Review

GMAC's net income was $2.8 billion, $1.9 billion, and $1.8 billion for 2003, 2002, and 2001, respectively.

	Years ended December 31,		
(Dollars in millions)	**2003**	2002	2001
Financing operations	**$1,360**	$1,239	$1,254
Mortgage operations	**1,254**	544	331
Insurance operations	**179**	87	201
Net income	**$2,793**	$1,870	$1,786

Results of Operations *(concluded)*

Net income from financing operations totaled $1.4 billion, $1.2 billion, and $1.3 billion in 2003, 2002, and 2001, respectively. The increase in net income in 2003, compared with 2002, was primarily due to lower credit loss provisions and increased revenues from higher asset levels, which more than offset the unfavorable effect of lower net interest margins. The decrease in 2002 net income compared with 2001 was due to a combination of higher credit loss provisions and wider borrowings spreads which was offset by income from higher asset levels. In addition, 2001 results reflect a favorable impact from the cumulative effect of adopting Statement of Financial Accounting Standards No. 133 (SFAS No. 133).

Net income from mortgage operations totaled $1.3 billion, $544 million, and $331 million in 2003, 2002, and 2001, respectively. The increase in net income in 2003, compared with 2002, was primarily due to higher production and securitization volumes in both the residential and commercial mortgage sectors. The increase in net income in 2002, compared with 2001, was primarily due to increased loan production volumes, higher servicing levels, and improved hedging results, which was partially offset by a decrease in the value of mortgage servicing rights.

Net income from insurance operations totaled $179 million, $87 million, and $201 million in 2003, 2002, and 2001, respectively. The increase in net income in 2003, compared with 2002, primarily relates to increased underwriting volume and increased investment income resulting from reduced levels of impairments in 2003, as compared to 2002, related to the Insurance Group's investment portfolio. The decrease in net income in 2002, compared with 2001, reflects a write-down of certain investment securities primarily due to the prolonged decline in equity markets, partially offset by improved underwriting results and a favorable tax settlement.

2004 Priorities/Targets

For 2004, GM has established certain operating priorities and financial targets including:

- Attaining earnings per share between $6.00 and $6.50 at current dilution levels;
- Generating $5.0 billion of operating cash flow;
- Increasing automotive market share in all regions;
- Reducing structural and material costs;
- Capital spending of $7.0 billion; and
- Regional/sector income targets, as follows:

(Dollars in millions)	Income target
GMNA	$1,000 – $1,400
GME	$ 0 – $ 100
GMLAAM	$ (200) – $ (100)
GMAP	$ 700 – $ 800
GMAC	Greater than $2,000

Cash flow, cost savings, and regional income targets are formulated using a management approach that is consistent with the basis and manner in which GM management internally disaggregates financial information for the purposes of assisting in making internal operating decisions.

Liquidity and Capital Resources

Financing Structure

In 2003, GM and GMAC experienced adequate access to the capital markets as GM and GMAC were able to issue various securities to raise capital and extend borrowing terms consistent with GM's need for financial flexibility. On June 13, 2003, Moody's lowered GM's long-term rating to Baa1 from A3 and GMAC's to A3 from A2 with a rating outlook of negative. Moody's also reduced GMAC's short-term rating to Prime-2 from Prime-1 and reaffirmed GM's short-term rating at Prime-2. On October 21, 2003, Standard & Poor's affirmed GM and GMAC's long-term ratings at BBB and short-term ratings at A2, with a rating outlook of negative. On November 14, 2003, Fitch affirmed GM and GMAC's long-term ratings at BBB+ and the commercial paper ratings at F2 with a rating outlook of negative. On December 10, 2003, Dominion Bond Rating Service (DBRS) confirmed GM and GMAC's senior debt ratings at A (low) and the commercial paper ratings at R1 (low) with a stable outlook. These rating actions are not expected to have a significant adverse effect on GM's and GMAC's ability to obtain bank credit or to sell asset-backed securities. The table below summarizes GM's and GMAC's credit ratings as of December 31, 2003:

	GM	GMAC	GM	GMAC	GM	GMAC
Rating Agency	Senior Debt		Commercial Paper		Outlook	
DBRS	A (low)	A (low)	R1 (low)	R1 (low)	Stable	Stable
Fitch	BBB+	BBB+	F2	F2	Negative	Negative
Moody's	Baa1	A3	Prime-2	Prime-2	Negative	Negative
S&P	BBB	BBB	A2	A2	Negative	Negative

GM's and GMAC's access to the capital markets remained sufficient to meet the Corporation's capital needs. In the second quarter of 2003, GM issued approximately $1.5 billion of senior notes. In the beginning of the third quarter of 2003, in a combined single event financing, GM issued approximately $13.5 billion of GM senior notes and convertible debentures and GMAC issued approximately $4.4 billion of short-term senior notes and debt. In addition, GM and GMAC expect that they will continue to have adequate access to the capital markets sufficient to meet the Corporation's needs for financial flexibility.

In 2003, GM contributed to its Voluntary Employees' Beneficiary Association (VEBA) trust a total $3.3 billion (including $0.3 billion in GM Class H common stock) and $18.5 billion (including $0.9 billion in GM Class H common stock) to its U.S. pension plans. At December 22, 2003, under terms of the Hughes transactions, the shares of GM H common stock contributed to the VEBA trust in 2003 were converted into or were exchanged for approximately 34 million shares of Hughes Electronics Corporation common stock and approximately 4 million News Corporation Preferred ADSs. Similarly, the shares of GM Class H common stock contributed to the pension plans in 2003 were converted into or were exchanged for approximately 89 million shares of Hughes Electronics Corporation common stock and approximately 10 million News Corporation Preferred ADSs.

Pension plan assets for GM's U.S. hourly and salaried pension plans earned returns of approximately 22% in 2003. In addition, as a result of the $18.5 billion 2003 pension contributions, the combined U.S. hourly and salaried pension plans were $0.3 billion overfunded at year-end 2003 using a 6.00% discount rate.

As an additional source of funds, GM currently has unrestricted access to a $5.6 billion line of credit with a syndicate of banks which is committed through June 2008. GM also has an additional

Liquidity and Capital Resources *(continued)*

$0.8 billion in undrawn committed facilities with various maturities and undrawn uncommitted lines of credit of $1.7 billion. Similarly, GMAC currently has a $4.2 billion syndicated line of credit committed through June 2004, $4.3 billion committed through June 2008, $4.7 billion of bilateral committed lines with various maturities, and uncommitted lines of credit of $18.0 billion. In addition, New Center Asset Trust (NCAT) has $19.2 billion of liquidity facilities committed through June 2004. Mortgage Interest Networking Trust (MINT) has $3.4 billion of liquidity facilities committed through April 2004. NCAT and MINT are non-consolidated qualified special purpose entities administered by GMAC for the purpose of purchasing assets as part of GMAC's securitization and mortgage warehouse funding programs. These entities fund the purchases of assets through the issuance of asset-backed commercial paper and represent an important source of liquidity to the Corporation.

Stockholders' equity increased to $25.3 billion at December 31, 2003 from $6.8 billion at December 31, 2002. This increase was primarily due to the decrease in the minimum pension liability adjustment that was favorably affected by the much improved funded status of the pension plans recorded as of December 31, 2003 and partly offset by the split-off of Hughes. (See Note 19 to the Consolidated Financial Statements.)

Automotive and Other Operations

At December 31, 2003, cash, marketable securities, and $3.4 billion of assets of the VEBA trust invested in fixed-income securities totaled $26.9 billion, compared with cash, marketable securities, and $3.0 billion of assets of the VEBA trust invested in fixed-income securities totaling $17.3 billion at December 31, 2002. The increase of approximately 55% from December 31, 2002 was primarily due to strong cash flow from operations, proceeds from the Hughes transactions and sale of the GM Defense business in the aggregate amount of $5.3 billion, and net proceeds from debt issuances totaling $14.5 billion offset by U.S. hourly and salaried pension and VEBA cash contributions of $20.6 billion in 2003 by GM. Total assets in the VEBA trust used to pre-fund part of GM's other postretirement benefits liability approximated $10.0 billion at December 31, 2003, compared with $5.8 billion at December 31, 2002, an increase of approximately 72%. Strong cash flows from operations during 2003 enabled GM to make a cash contribution of $3.0 billion to its VEBA trust in August 2003, which was in addition to the $0.3 billion of Class H stock contributed to the VEBA in March 2003. These contributions to the VEBA trust were converted into or exchanged for approximately 34 million shares of Hughes Electronics Corporation common stock and approximately 4 million News Corporation Preferred ADSs.

Long-term debt was $29.6 billion at December 31, 2003, compared with $14.3 billion at December 31, 2002. As mentioned above, the proceeds from the issuance of debt securities were used to fund GM's U.S. hourly and salaried pension plans. The ratio of long-term debt to the total of long-term debt and GM's net assets of Automotive and Other Operations was 85.2% at December 31, 2003, compared with 433.2% at December 31, 2002. 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 86.4% at December 31, 2003, compared with 307.5% at December 31, 2002. The decrease in these ratios was due to the improvement in GM's net asset position resulting from the improved funded status of GM's U.S. hourly and salaried pension plans.

Net liquidity, calculated as cash, marketable securities, and $3.4 billion of assets of the VEBA trust invested in fixed-income securities less the total of loans payable and long-term debt, was a negative $5.5 billion at December 31, 2003, compared with $1.1 billion, including $3.0 billion of assets of the VEBA, at December 31, 2002.

In order to provide financial flexibility to GM and its suppliers, GM maintains a trade payables program through General Electric Capital Corporation (GECC) under which GECC pays participating GM suppliers the amount due to them from GM in advance of their contractual original due dates. In exchange for the early payment, these suppliers accept a discounted payment. On the original due date of the payables, GM pays GECC the full amount. At December 31, 2003 and 2002, GM owed approximately $1.2 billion to GECC under this program, which is classified as short-term debt in GM's consolidated financial statements. In addition, GM has the right under the agreement to defer payment to GECC with respect to all or a portion of receivables that it has paid on behalf of GM. The permissible deferral periods range from 10 days to 40 days and would also be classified as short-term debt in GM's financial statements. Deferred payments are subject to interest during the deferral period. As of December 31, 2003, GM had elected not to defer payment on any such payables. The maximum amount permitted under both parts of the program is $2.0 billion. If any of GM's long-term unsecured debt obligations become subject to a rating by S&P of BBB minus, with a negative outlook (GM's current rating is BBB, with a negative outlook) or below BBB minus, or a rating by Moody's of Baa3, with a negative outlook (GM's current rating is Baa1, with a negative outlook) or below Baa3, GECC would be permitted to immediately terminate continued access to the program by GM and its suppliers. GM does not anticipate that discontinuance of the future availability of the GECC program would result in a material disruption to the supply of parts and materials to GM, nor would it have a material adverse effect on GM's financial position, results of operations or cash flows.

Financing and Insurance Operations

GMAC's consolidated assets totaled $288.2 billion at December 31, 2003, representing a 26.6% increase from the $227.7 billion outstanding at December 31, 2002. The increase in total assets was primarily due to an increase in finance receivables and loans, from $134.1 billion at December 31, 2002 to $172.7 billion at December 31, 2003. The increased use of securitizations structured as financing transactions (primarily in mortgage operations), combined with the continued use of GM sponsored special rate financing programs, resulted in an increase in consumer finance receivables and loans. Additional asset growth was the result of an increase in wholesale receivables outstanding due to higher dealer inventories.

Consistent with the growth in assets, GMAC's total debt increased to $238.9 billion at December 31, 2003, as compared to $183.2 billion at December 31, 2002. GMAC's 2003 year-end ratio of total debt to total stockholder's equity was 11.8:1 compared to 10.3:1 at December 31, 2002. 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 capital markets. Liquidity is managed to preserve stable, reliable, and cost-effective sources of cash to meet all current and future obligations. GMAC's strategy in managing liquidity risk has been to develop diversified funding sources across a global investor base. In 2003, GMAC continued to experience a difficult funding environment caused by

Liquidity and Capital Resources *(continued)*

high funding requirements (due to continued growth in asset levels), negative credit rating agency activity, and general instability in the corporate bond markets. The challenges presented by this environment resulted in GMAC's funding effort continuing to reach beyond traditional unsecured debt sources and increase the emphasis on securitization (including transactions accounted for as secured financings) and retail debt programs. Management expects that based on the Corporation's current financial position, its funding strategy and diversified financing resources will provide sufficient access to the capital markets to meet the Corporation's funding needs.

Investment in Fiat Auto Holdings

At the April 23, 2003 Annual General Shareholders Meeting of FAH, FAH adopted a euro 5 billion recapitalization plan that provides shareholders the option to make pro-rata capital contributions over the 18 months following adoption of the plan. When the plan was adopted, Fiat S.p.A. (Fiat) held 80% of FAH and GM 20%. Fiat participated in the recapitalization by making a euro 3 billion contribution, which FAH used to repay inter-company debts owed to Fiat or its affiliates. Currently, GM does not plan to participate. Due to Fiat's participation in the recapitalization, and GM's non-participation, Fiat has reported that GM's interest in FAH has been reduced from 20% to 10%.

As discussed in GM's Annual Report on Form 10-K for the period ended December 31, 2002, the Master Agreement provides that, from January 24, 2004 to July 24, 2009, Fiat may seek to exercise a put option (the "Put") to require GM to purchase Fiat's FAH shares at their fair market value. Whether and when Fiat may seek to exercise the Put is unknown, although Fiat stated in its 2002 Annual Report on Form 20F, filed with the SEC, that it views the exercise of the Put only as a secondary possibility. Fiat also stated in its Form 20F that it believes that the Put is enforceable in accordance with the terms of the Master Agreement. GM has, however, asserted to Fiat that the sale of certain assets of the financing business of Fiat Auto and the recapitalization of FAH represent material breaches of the Master Agreement, with the result that the Master Agreement, including the Put, is terminable by GM. Notwithstanding these different views, GM is continuing to build on the cooperation the parties have worked on for the past several years in the joint ventures and other cooperative contractual arrangements they have entered into that are independent of the Master Agreement, and is pursuing a resolution of these different views. Towards that end, Fiat and GM entered into a standstill agreement on October 26, 2003, the provisions of which enable GM to defer until December 15, 2004, the necessity of electing the remedy of termination of the Master Agreement, and with it the Put, without such deferral prejudicing the right of GM to elect that remedy after December 15, 2004. On October 26, 2003, Fiat and GM also entered into an amendment to the Master Agreement that shifts the Put period by one year, so that it begins on January 24, 2005 and runs to July 24, 2010.

If the Put were implemented, the fair market value of FAH shares would be determined by the averaging of the three closest of four valuations that would be prepared by four investment banks after conducting due diligence under procedures set forth in the Master Agreement and based upon terms and conditions to be incorporated in a purchase agreement which, at this time, the parties have not prepared. Unless such a process and valuation is completed, the amount, if any, that GM might have to pay for Fiat's FAH shares if there were to be a valid exercise of the Put, is not quantifiable.

If there were a valid exercise of the Put, GM would have the option to pay for Fiat's FAH shares entirely in shares of GM $1-2/3 par value common stock, entirely in cash, or in whatever combination thereof GM may choose. Under such circumstances, if and to the extent GM chose to pay in cash, that portion of the purchase price could be paid to Fiat in four installments over a three-year period and GM would expect to fund any such payments from normal operating cash flows or financing activities.

If and when GM were to acquire Fiat's FAH shares, and thus become the sole owner of FAH, GM would decide what, if any, additional capitalization would then be appropriate for FAH and Fiat Auto. Specifically, if Fiat Auto were to need additional funding, GM would have to decide whether or not to provide such funding and under what conditions it might do so.

Unless FAH or Fiat Auto were subject to liquidation or insolvency, FAH's consolidated financial statements would be required for financial reporting purposes to be consolidated with those of GM. Any indebtedness, losses, and capital needs of FAH and Fiat Auto after their acquisition by GM are not presently determinable, but they could have a material adverse effect on GM if GM chooses to fund such needs or allows the consolidation of GM's financial statements with those of Fiat and Fiat Auto.

GM has discussed with Fiat potential alternatives to the Master Agreement, and expects to have further discussions regarding the relationship between the parties.

Off-Balance Sheet Arrangements

GM and GMAC use off-balance sheet arrangements where the 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.

The amounts outstanding in off-balance sheet facilities used by Financing and Insurance Operations have decreased since December 31, 2002 as GMAC continues to use securitization transactions that, while similar in legal structure to off-balance sheet securitizations, are accounted for as secured financings and are recorded as receivables and debt on the balance sheet.

Liquidity and Capital Resources *(concluded)*

Assets in off-balance sheet entities were as follows:

(Dollars in millions)	December 31, 2003	2002
Automotive and Other Operations		
Assets leased under operating leases	**$ 2,287**	$ 2,126
Trade receivables sold (1)	**759**	725
Total	**$ 3,046**	$ 2,851
Financing and Insurance Operations		
Receivables sold or securitized:		
– Mortgage loans	**$ 80,798**	$106,520
– Retail finance receivables	**9,548**	16,164
– Wholesale finance receivables	**21,142**	17,415
Total	**$111,488**	$140,099

(1) *In addition, trade receivables were sold to GMAC for $553 million in 2003 and $434 million in 2002.*

Contractual Obligations and Other Long-Term Liabilities

GM has the following minimum commitments under contractual obligations, including purchase obligations, as defined by the SEC. A "purchase obligation" is defined as an agreement to purchase goods or services that is enforceable and legally binding on GM and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Other long-term liabilities are defined as long-term liabilities that are reflected on GM's balance sheet under GAAP. Based on this definition, the tables below include only those contracts which include fixed or minimum obligations. It does not include normal purchases, which are made in the ordinary course of business.

The following table provides aggregated information about Auto & Other outstanding contractual obligations and other long-term liabilities as of December 31, 2003:

	Payments Due by Period				
(in millions)	2004	2005-2006	2007-2008	2009 and after	Total
Debt	$ 1,090	$ 1,116	$1,798	$26,800	$30,804
Capital lease obligations	105	205	459	649	1,418
Operating lease obligations	668	1,191	1,638	1,763	5,260
Contractual commitments for capital expenditures	1,223	137	–	–	1,360
Other contractual commitments:					
Postretirement benefits (1)	3,005	6,459	3,416	–	12,880
Less: VEBA assets (2)	(3,005)	(6,459)	(534)	–	(9,998)
Net	–	–	2,882	–	2,882
Material	901	1,613	1,447	605	4,566
Information technology	161	147	11	–	319
Marketing	171	181	8	3	363
Facilities	201	270	99	396	966
Rental car repurchases	8,204	–	–	–	8,204
Policy, product warranty, and recall campaigns liability	3,593	3,837	825	419	8,674
Total contractual commitments	$16,317	$ 8,697	$9,167	$30,635	$64,816
Remaining balance postretirement benefits	$ 734	$ 1,527	$5,170	$43,154	$50,585

(1) *Amounts include postretirement benefits under the current contractual labor agreements in North America. The remainder of the estimated liability, for benefits beyond the current labor agreement and for essentially all salaried employees, is classified under remaining balance of postretirement benefits.*
(2) *Total VEBA assets were allocated based on projected spending requirements.*

The combined U.S. hourly and salaried pension plans were $0.3 billion overfunded at year-end 2003. GM does not expect any contribution to its U.S. hourly and salaried pension plans until the next decade to meet ERISA (legal) minimum funding requirements or to avoid variable rate premiums to the Pension Benefit Guaranty Corporation.

The following table provides aggregated information about FIO outstanding contractual obligations and other long-term liabilities as of December 31, 2003:

	Payments Due by Period				
(in millions)	2004	2005-2006	2007-2008	2009 and after	Total
Debt	$ 77,424	$64,555	$19,996	$75,455	$237,430
Operating lease obligations	142	220	136	184	682
Mortgage purchase and sale commitments	16,021	3,057	–	–	19,078
Lending commitments	13,496	1,222	954	5,206	20,878
Commitments to provide capital to equity method investees	109	2	16	28	155
Purchase obligations	49	46	19	1	115
Total contractual commitments	$107,241	$69,102	$21,121	$80,874	$278,338

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 increased to $44.96 at December 31, 2003, from $9.06 at December 31, 2002.

Dividends

Dividends may be paid on common stock only when, as, and if declared by GM's Board of Directors in its sole discretion. At December 31, 2003, the amount available for the payment of dividends on GM $1-2/3 par value was $27.9 billion. GM's policy is to distribute dividends on its $1-2/3 par value common stock based on the outlook and indicated capital needs of the business. Cash dividends per share of GM $1-2/3 par value common stock were $2.00 in 2003, 2002, and 2001.

Employment and Payrolls

	at December 31,		
Worldwide employment (in thousands)	**2003**	2002	2001
GMNA	**190**	198	207
GME	**62**	66	73
GMLAAM	**23**	24	24
GMAP	**14**	11	11
GMAC	**32**	32	29
Other	**5**	7	8
Total employees	**326**	338	352
Worldwide payrolls (in billions)	**$ 20.9**	$ 20.4	$ 19.1
U.S. hourly payrolls (in billions) (1)	**$ 8.9**	$ 9.1	$ 8.5
Average labor cost per active hour worked U.S. hourly (2)	**$78.39**	$62.78	$57.76

(1) *Includes employees "at work" (excludes laid-off employees receiving benefits).*
(2) *Includes U.S. hourly wages and benefits divided by the number of hours worked.*

Critical Accounting Estimates

Accounting policies are integral to understanding this MD&A. 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 are described in Note 1 to the Consolidated Financial Statements. Critical accounting estimates are described in this section. An accounting estimate is considered critical if: the estimate requires management to make assumptions about matters that were highly uncertain at the time the estimate was made; different estimates reasonably could have been used; or if changes in the estimate that would have a material impact on the Corporation's financial condition or results of operations are reasonably likely to occur from period to period. 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 these 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.

Sales Allowances – At the later of the time of sale or the time an incentive is announced to dealers (applies to vehicles sold by GM and in dealer inventory), GM records as a reduction of revenue the estimated impact of sales allowances in the form of dealer and customer incentives. There may be numerous types of incentives available at any particular time. Some factors used in estimating the cost of incentives include the volume of vehicles that will be affected by the incentive programs offered by product and the rate of customer acceptance of any incentive program. If the actual number of vehicles differs from this estimate, or if a different mix of incentives occurs, the sales allowances could be affected.

Policy and Warranty – Provisions for estimated expenses related to product warranties are made at the time products are sold. These estimates are established using historical information on the nature, frequency, and average cost of warranty claims. Management actively studies trends of warranty claims and takes action to improve vehicle quality and minimize warranty claims.

Impairment of Long-Lived Assets – GM periodically reviews the carrying value of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of when events and circumstances warrant such a review. This review is performed using estimates of future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

Pension and Other Postretirement Employee Benefits (OPEB) – Pension and OPEB costs and obligations 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.

GM has established for its U.S. pension plans a discount rate of 6.00% for year-end 2003, which represents a 75 basis point reduction from the 6.75% discount rate used at year-end 2002. GM's U.S. pre-tax pension expense is forecasted to decrease from approximately $2.6 billion in 2003, excluding curtailments and settlements, to approximately $1.4 billion in 2004 due to the $18.5 billion 2003 pension contribution and the approximately 22% 2003 actual return on assets, partially offset by a lower 2003 year-end discount rate.

Critical Accounting Estimates *(concluded)*

The following information illustrates the sensitivity to a change in certain assumptions for U.S. pension plans (as of December 31, 2003 the Projected Benefit Obligation [PBO] for U.S. pension plans was $87 billion and the minimum pension liability charged to equity with respect to U.S. pension plans was $125 million net of tax):

Change in Assumption	Effect on 2004 Pre-Tax Pension Expense	Effect on December 31, 2003 PBO
25 basis point decrease in discount rate	+$150 million	+$2.1 billion
25 basis point increase in discount rate	–$150 million	–$2.1 billion
25 basis point decrease in expected return on assets	+$220 million	–
25 basis point increase in expected return on assets	–$220 million	–

The above sensitivities reflect the impact of changing one assumption at a time. It should be noted that economic factors and conditions often affect multiple assumptions simultaneously and the effects of changes in key assumptions are not necessarily linear.

These changes in assumptions would have no effect on GM's funding requirements. In addition, at December 31, 2003, a 25 basis point decrease in the discount rate would decrease stockholders' equity by $14.0 billion, net of tax; a 25 basis point increase in the discount rate would increase stockholders' equity by $20.0 million, net of tax. With a 25 basis point decrease in the discount rate, certain pension plans would become Accumulated Benefit Obligation (ABO) underfunded resulting in a significantly larger impact on equity compared to a 25 basis point increase in the discount rate. In addition, the impact of greater than a 25 basis point decrease in discount rate would not be proportional to the first 25 basis point decrease in the discount rate.

GM has established for its U.S. OPEB plans a discount rate of 6.25% for year-end 2003, which represents a 50 basis point reduction from the 6.75% discount rate used at year-end 2002.

The following table illustrates the sensitivity to a change in the discount rate assumption related to GM's U.S. OPEB plans (the U.S. Accumulated Postretirement Benefit Obligation [APBO] was a significant portion of GM's worldwide APBO of $67.5 billion as of December 31, 2003):

Change in Assumption	Effect on 2004 Pre-Tax OPEB Expense	Effect on December 31, 2003 APBO
25 basis point decrease in discount rate	+$170 million	+$1.9 billion
25 basis point increase in discount rate	—$170 million	–$1.9 billion

The above sensitivities reflect the impact of changing one assumption at a time. It should be noted that economic factors and conditions often affect multiple assumptions simultaneously and the effects of changes in key assumptions are not necessarily linear.

Postemployment Benefits – GM establishes reserves for termination and other postemployment benefit liabilities to be paid pursuant to union or other contractual agreements in connection with closed plants. The reserve is based on a comprehensive study that considers the impact of the annual production and labor forecast assumptions as well as redeployment scenarios.

Allowance for Credit Losses – The allowance for credit losses is management's estimate of incurred losses in GMAC's consumer and commercial finance receivable and loan portfolios held for investment. Management periodically performs detailed reviews of these portfolios to determine if impairment has occurred and to assess the adequacy of the allowance for credit losses, based on historical and anticipated trends and other factors affecting credit quality. These factors include the historical trends of repossessions, charge-offs, recoveries, and credit losses; the careful monitoring of portfolio credit quality, including the impact of acquisitions; and current and projected economic and market conditions. Different assumptions or changes in economic circumstances could result in changes to the allowance for credit losses.

Investments in Operating Leases – GMAC's investments in residual values of its leasing portfolio represent an estimate of the values of the assets at the end of the lease contract and are initially recorded based on appraisals and estimates. Management reviews residual values periodically to determine that recorded amounts are appropriate and the operating lease assets have not been impaired. GMAC actively manages the remarketing of off-lease vehicles to maximize the realization of their value. Changes in the value of the residuals or other external factors impacting GMAC's future ability to market the vehicles under prevailing market conditions may impact the realization of residual values.

Mortgage Servicing Rights – The Corporation capitalizes mortgage servicing rights associated with loans sold with servicing retained and servicing rights acquired through bulk and flow purchase transactions. The Corporation capitalizes the cost of originated mortgage servicing rights based upon the relative fair market value of the underlying mortgage loans and mortgage servicing rights at the time of sale of the underlying mortgage loan. The Corporation capitalizes purchased mortgage servicing rights at cost, an amount not exceeding the estimated fair market value of those purchased mortgage servicing rights.

Accounting for Derivatives and Other Contracts at Fair Value – The Corporation uses derivatives in the normal course of business to manage its exposure to fluctuations in commodity prices and interest and foreign currency rates. Effective January 1, 2001, the Corporation accounts for its derivatives on the Consolidated Balance Sheet as assets or liabilities at fair value in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Such accounting is complex, evidenced by significant interpretations of the primary accounting standard, which continues to evolve, as well as the significant judgments and estimates involved in the estimating of fair values in the absence of quoted market prices.

New Accounting Standards

Beginning January 1, 2003, 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, "Accounting for Stock-Based Compensation." The fair values of stock option grants are estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of other stock compensation awards is determined by the market price of GM $1-2/3 common stock on the date of grant. The total expense for 2003 was $229 million ($142 million net of tax), recorded in cost of sales and other expenses. For 2002, as permitted by SFAS No. 123, GM applied the intrinsic value method of recognition and measurement under Accounting Principles Board Opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees," to its stock options and other stock-based employee compensation awards. No compensation expense related to employee stock options is reflected in net income for these periods, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of the grant. Refer to Note 1 to the Consolidated Financial Statements for the effect on net income and earnings per share if compensation cost for all outstanding and unvested stock options and other stock-based employee compensation awards had been determined based on their fair values at the grant date.

In December 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value of the obligations it assumes under that guarantee. This interpretation is applicable on a prospective basis to guarantees issued or modified after December 31, 2002. FIN 45 also contains disclosure provisions surrounding existing guarantees, which are effective for financial statements of interim or annual periods ending after December 15, 2002. See Note 18 to the Consolidated Financial Statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46), which requires the consolidation of certain entities considered to be variable interest entities (VIEs). An entity is considered to be a VIE when it has equity investors who lack the characteristics of having a controlling financial interest, or its capital is insufficient to permit it to finance its activities without additional subordinated financial support. Consolidation of a VIE by an investor is required when it is determined that the investor will absorb a majority of the VIE's expected losses or residual returns if they occur. FIN 46 provides certain exceptions to these rules, relating to qualifying special purpose entities (QSPEs) subject to the requirements of SFAS No. 140. Upon its original issuance, FIN 46 required that VIEs created after January 31, 2003 would be consolidated immediately, while VIEs created prior to February 1, 2003 were to be consolidated as of July 1, 2003.

In October 2003, the FASB deferred the effective date for consolidation of VIEs created prior to February 1, 2003 to December 31, 2003 for calendar year-end companies, with earlier application encouraged. GM adopted FIN 46 as of its original effective date of July 1, 2003 for entities created prior to February 1, 2003. The application of the consolidation provisions of FIN 46 resulted in an increase in assets and debt of approximately $4.6 billion ($917 million in Auto & Other, and $3.7 billion in FIO), and a cumulative effect of accounting change recorded in cost of sales of $27 million after tax, related to Auto & Other and no net income impact at FIO. Refer to Note 7 to the Consolidated Financial Statements for further discussion of GM's involvement in variable interest entities.

In December 2003, the FASB published a revision to FIN 46 (FIN 46R) to clarify some of the provisions of the original interpretation and to exempt certain entities from its requirements. FIN 46R provides special effective date provisions to enterprises that fully or partially applied FIN 46 prior to the issuance of the revised interpretation. In particular, entities that have already adopted FIN 46 are not required to adopt FIN 46R until the quarterly reporting period ended March 31, 2004. The Corporation is currently reviewing the provisions of FIN 46R and will adopt FIN 46R for the quarterly reporting period ending March 31, 2004.

In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material effect on the Corporation's financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Statement is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. The adoption of this standard did not have a material effect on the Corporation's financial condition or results of operations.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." The revisions to SFAS No. 132 are intended to improve financial statement disclosures for defined benefit plans and were initiated in 2003 in response to concerns raised by investors and other users of financial statements about the need for greater transparency of pension information. In particular the standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs, and other relevant quantitative and qualitative information. The guidance is effective for fiscal years ending after December 15, 2003. Refer to Note 17 to the Consolidated Financial Statements for further discussion of GM's pension and other postretirement benefits obligations.

Additional Matters

Like most domestic and foreign automobile manufacturers, over the years GM has used some brake products each of which incorporated small amounts of encapsulated asbestos. These products, generally brake linings, are known as asbestos-containing friction products. There is a significant body of scientific data demonstrating that these asbestos-containing friction products are not unsafe and do not create an increased risk of asbestos-related disease. GM believes that the use of asbestos in these products was appropriate.

As with other companies that have used asbestos, there has been an increase in the number of claims against GM related to allegations concerning the use of asbestos-containing friction products in recent years. A growing number of auto mechanics are filing suit seeking recovery based on their alleged exposure to the small amount of asbestos used in brake components. These claims almost always identify numerous other potential sources for the claimant's alleged exposure to asbestos which do not involve GM or even asbestos-containing friction products, and many of these other potential sources would place users at much greater risk. The vast majority of these claimants do not have an asbestos-related illness and may never develop one. This is consistent with the experience reported by other automotive manufacturers and other end users of asbestos.

Two other types of claims related to alleged asbestos exposure are being asserted against GM, representing a significantly lower exposure than the automotive friction product claims. Like other locomotive manufacturers, GM used a limited amount of asbestos in locomotive brakes and in the insulation used in the manufacturing of some locomotives. These uses have been the basis of lawsuits being filed against GM by railroad workers seeking relief based on their alleged exposure to asbestos. These claims almost always identify numerous other potential sources for the claimant's alleged exposure to asbestos, which do not involve GM or even locomotives. Many of these claimants do not have an asbestos-related illness and may never develop one. In addition, like many other manufacturers, a relatively small number of claims are brought by contractors who are seeking recovery based on alleged exposure to asbestos-containing products while working on premises owned by GM. These claims almost always identify numerous other potential sources for the claimant's alleged exposure to asbestos which do not involve GM. The vast majority of these claimants do not have an asbestos-related illness and may never develop one.

While General Motors has resolved many of these cases over the years and continues to do so for conventional strategic litigation reasons (avoiding defense costs and possible exposure to runaway verdicts), GM, as stated above, believes the vast majority of such claims against GM are without merit. Only a small percentage of the claims pending against GM allege the contraction of a malignant disease associated with asbestos exposure. The vast majority of claimants do not have an asbestos-related illness and may never develop one. In addition, GM believes that it has very strong defenses based upon a number of published epidemiological studies prepared by highly respected scientists. Indeed, GM believes there is compelling evidence warranting the dismissal of virtually all of these claims against GM. GM will vigorously press this evidence before judges and juries whenever possible. The West Virginia Supreme Court and an Ohio trial court have ruled that Federal law preempts asbestos tort claims asserted on behalf of railroad workers. Such preemption means that Federal law entirely eliminates the possibility that railroad workers could maintain claims against GM.

GM's annual expenditures associated with the resolution of these claims have increased in nonmaterial amounts in recent years, but the amount expended in any year is highly dependent on the number of claims filed, the amount of pretrial proceedings conducted, and the number of trials and settlements which occur during the period. While over time GM anticipates annual expenditures relating to these claims may increase somewhat as a function of the number of claims increasing, it is management's belief, based upon consultation with legal counsel, that the claims will not result in a material adverse effect upon the financial condition or results of operations of GM.

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," "objective," "plan," "goal," "project," "priorities/targets" and similar expressions is intended to identify forward-looking statements. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, actual results may differ materially due to numerous important factors that are described below and other factors that may be described in subsequent reports which GM may file with the SEC on Form 10-Q and filed or furnished on Form 8-K:

- Changes in economic conditions, currency exchange rates, or political stability;
- Shortages of and price increase for fuel, labor strikes or work stoppages, market acceptance of the Corporation's new products;
- Significant changes in the competitive environment;
- Changes in the laws, regulations, and tax rates; and
- The ability of the Corporation to achieve reductions in cost and employment levels, to realize production efficiencies, and to implement capital expenditures, all at the levels and times planned by management.

Quantitative and Qualitative Disclosures About Market Risk

GM is exposed to market risk from changes in foreign currency exchange rates, interest rates, and certain commodity and equity security prices. GM enters into a variety of foreign exchange, interest rate, and commodity forward contracts and options, primarily to maintain the desired level of exposure arising from these risks. A risk management control system is utilized to monitor foreign exchange, interest rate, commodity and equity price risks, and related hedge positions.

A discussion of GM's accounting policies for derivative financial instruments is included in Note 1 to the GM Consolidated Financial Statements. Further information on GM's exposure to market risk is included in Notes 19 and 21 to the Consolidated Financial Statements.

The following analyses provide quantitative information regarding GM's exposure to foreign currency exchange rate risk, interest rate risk, and commodity and equity price risk. GM uses a model to evaluate the sensitivity of the fair value of financial instruments with exposure to market risk that assumes instantaneous, parallel shifts in exchange rates, interest rate yield curves, and commodity and equity prices. For options and instruments with nonlinear returns, models appropriate to the instrument are utilized to determine the impact of market shifts. There are certain shortcomings inherent in the sensitivity analyses presented, primarily due to the assumption that exchange rates change in a parallel fashion and that interest rates change instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts modeled.

Foreign Exchange Rate Risk – GM has foreign currency exposures related to buying, selling, and financing in currencies other than the local currencies in which it operates. More specifically, GM is exposed to foreign currency risk related to the uncertainty to which future earnings or asset and liability values are exposed as the result of operating cash flows and various financial instruments that are denominated in foreign currencies. At December 31, 2003, the net fair value liability of financial instruments with exposure to foreign currency risk was approximately $3.2 billion compared to a net fair value asset of $4.1 billion at December 31, 2002. The potential loss in fair value for such financial instruments from a 10% adverse change in quoted foreign currency exchange rates would be approximately $323 million and $411 million for 2003 and 2002, respectively.

Interest Rate Risk – GM is subject to market risk from exposure to changes in interest rates due to its financing, investing, and cash management activities. More specifically, the Corporation is exposed to interest rate risk associated with long-term debt and contracts to provide commercial and retail financing, retained mortgage servicing rights, and retained assets related to mortgage securitizations. In addition, GM is exposed to prepayment risk associated with its capitalized mortgage servicing rights and its retained assets. This risk is managed with U.S. Treasury options and futures, exposing GM to basis risk since the derivative instruments do not have identical characteristics to the underlying mortgage servicing rights. At December 31, 2003 and 2002, the net fair value liability of financial instruments held for purposes other than trading with exposure to interest rate risk was approximately $51.5 billion and $26.6 billion, respectively. The potential loss in fair value resulting from a 10% adverse shift in quoted interest rates would be approximately $2.7 billion and $1.6 billion for 2003 and 2002, respectively. At December 31, 2003 and 2002, the net fair value asset of financial instruments held for trading purposes with exposure to interest rate risk was approximately $4.1 billion and $4.4 billion, respectively. The potential loss in fair value resulting from a 10% adverse shift in quoted interest rates would be approximately $11 million and $26 million for 2003 and 2002, respectively. This analysis excludes GM's operating lease portfolio. A fair value change in the debt that funds this portfolio would potentially have a different impact on the fair value of the portfolio itself. As such, the overall effect to the fair value of financial instruments from a hypothetical change in interest rates may be overstated.

Commodity Price Risk – GM is exposed to changes in prices of commodities used in its Automotive business, primarily associated with various nonferrous metals used in the manufacturing of automotive components. GM enters into commodity forward and option contracts to offset such exposure. At December 31, 2003, the net fair value asset of such contracts was approximately $194 million. At December 31, 2002, the net fair value liability of such contracts was $40 million. The potential loss in fair value resulting from a 10% adverse change in the underlying commodity prices would be approximately $190 million and $189 million for 2003 and 2002, respectively. This amount excludes the offsetting impact of the price risk inherent in the physical purchase of the underlying commodities.

Equity Price Risk – GM is exposed to changes in prices of various available-for-sale equity securities in which it invests. At December 31, 2003 and 2002, the fair value of such investments was approximately $2.2 billion and $1.6 billion, respectively. The potential loss in fair value resulting from a 10% adverse change in equity prices would be approximately $216 million and $157 million for 2003 and 2002, respectively.

Responsibilities for the Consolidated Financial Statements and Other Financial Information

The Consolidated Financial Statements, Financial Highlights, and Management's Discussion and Analysis of Financial Condition and Results of Operations of General Motors Corporation and subsidiaries were prepared by management, who is responsible for their integrity and objectivity. Where applicable, this financial information has been prepared in conformity with the Securities Exchange Act of 1934, as amended (the Exchange Act), and accounting principles generally accepted in the United States of America. The preparation of this financial information requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting policies that may involve a higher degree of judgments, estimates, and complexity are included in Management's Discussion and Analysis.

Management is responsible for maintaining internal controls designed to provide reasonable assurance that the books and records reflect the transactions of the companies and that established policies and procedures are carefully followed. Management is further responsible for maintaining disclosure controls and procedures (as defined in the Exchange Act) designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the specified time periods. An important feature in General Motors' system of internal controls and disclosure controls is that both are continually reviewed for effectiveness and are augmented by written policies and guidelines.

The unqualified certifications of General Motors' Chief Executive Officer and Chief Financial Officer related to the consolidated financial statements, other financial information, internal controls and disclosure controls are included in the Annual Report on Form 10-K filed with the United States Securities and Exchange Commission.

Deloitte & Touche LLP, an independent auditing firm, is engaged to audit the consolidated financial statements of General Motors and subsidiaries and issue reports thereon. The audit is conducted in accordance with auditing standards generally accepted in the United States of America that comprehend the consideration of internal control and tests of transactions to the extent necessary to form an independent opinion on the consolidated financial statements prepared by management.

The Board of Directors, through the Audit Committee (composed entirely of independent Directors), is responsible for assuring that management fulfills its responsibilities in the preparation of the consolidated financial statements. The Audit Committee annually recommends to the Board of Directors the selection of the independent auditors in advance of the Annual Meeting of Stockholders and submits the selection for ratification at the Meeting. In addition, the Audit Committee reviews the scope of the audits and the accounting principles being applied in financial reporting. The independent auditors, representatives of management, and the internal auditors meet regularly (separately and jointly) with the Audit Committee to review the activities of each, to ensure that each is properly discharging its responsibilities, and to assess the effectiveness of internal control. To reinforce complete independence, Deloitte & Touche LLP has full and free access to meet with the Audit Committee, without management representatives present, to discuss the result of the audit, the adequacy of internal control, and the quality of financial reporting.

General Motors has adopted a code of ethics that applies to the Corporation's directors, officers, and employees, including the Chief Executive Officer, Chief Financial Officer, Controller, Chief Accounting Officer, and any other persons performing similar functions. The text of GM's code of ethics, "Winning With Integrity," has been posted on the Corporation's Internet website at *http://investor.gm.com* at "Investor Information – Corporate Governance."

Rick Wagoner

G. Richard Wagoner, Jr.
Chairman and
Chief Executive Officer

John Devine

John M. Devine
Vice Chairman and
Chief Financial Officer

Paul Schmidt

Paul W. Schmidt
Controller

Peter Bible

Peter R. Bible
Chief Accounting Officer

Independent Auditors' Report

General Motors Corporation, its Directors, and Stockholders:

We have audited the accompanying Consolidated Balance Sheets of General Motors Corporation and subsidiaries (the Corporation) as of December 31, 2003 and 2002, and the related Consolidated Statements of Income, Cash Flows, and Stockholders' Equity for each of the three years in the period ended December 31, 2003. Our audits also included the Supplemental Information to the Consolidated Balance Sheets and Consolidated Statements of Income and Cash Flows (the financial statement schedules). These financial statements and financial statement schedules are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of General Motors Corporation and subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Corporation: (1) effective July 1, 2003, began consolidating certain variable interest entities to conform to FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," (2) effective January 1, 2003, began expensing the fair market value of newly granted stock options and other stock-based compensation awards issued to employees to conform to Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" and (3) effective January 1, 2002, changed its method of accounting for goodwill and other intangible assets to conform to SFAS No. 142, "Goodwill and Other Intangible Assets."

Deloitte + Touche LLP

Detroit, Michigan
March 10, 2004

Consolidated Statements of Income

(Dollars in millions except per share amounts) Years ended December 31,	**2003**	2002	2001
GENERAL MOTORS CORPORATION AND SUBSIDIARIES			
Total net sales and revenues (Notes 1 and 24)	**$185,524**	$177,324	$169,051
Cost of sales and other expenses (Note 5)	**152,071**	146,793	138,847
Selling, general, and administrative expenses	**21,008**	20,690	19,433
Interest expense (Note 16)	**9,464**	7,503	8,317
Total costs and expenses	**182,543**	174,986	166,597
Income from continuing operations before income taxes, equity income and minority interests	**2,981**	2,338	2,454
Income tax expense (Note 11)	**731**	644	1,094
Equity income (loss) and minority interests	**612**	281	(138)
Income from continuing operations	**2,862**	1,975	1,222
(Loss) from discontinued operations (Note 2)	**(219)**	(239)	(621)
Gain on sale of discontinued operations	**1,179**	–	–
Net income	**3,822**	1,736	601
Dividends on preference stocks	**–**	(46)	(99)
Earnings attributable to common stocks (Note 20)	**$ 3,822**	$ 1,690	$ 502
Basic earnings (loss) per share attributable to common stocks			
$1-2/3 par value			
Continuing operations	**$ 5.10**	$ 3.53	$ 2.21
Discontinued operations	**$ 2.14**	$ (0.16)	$ (0.42)
Earnings per share attributable to $1-2/3 par value	**$ 7.24**	$ 3.37	$ 1.79
(Losses) per share from discontinued operations attributable to Class H	**$ (0.22)**	$ (0.21)	$ (0.55)
Earnings (loss) per share attributable to common stocks assuming dilution			
$1-2/3 par value			
Continuing operations	**$ 5.03**	$ 3.51	$ 2.20
Discontinued operations	**$ 2.11**	$ (0.16)	$ (0.43)
Earnings per share attributable to $1-2/3 par value	**$ 7.14**	$ 3.35	$ 1.77
(Losses) per share from discontinued operations attributable to Class H	**$ (0.22)**	$ (0.21)	$ (0.55)

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

Supplemental Information to the Consolidated Statements of Income

(Dollars in millions) Years ended December 31,	**2003**	2002	2001
AUTOMOTIVE AND OTHER OPERATIONS			
Total net sales and revenues (Notes 1 and 24)	**$155,831**	$150,250	$143,173
Cost of sales and other expenses (Note 5)	**143,464**	138,359	130,158
Selling, general, and administrative expenses	**11,863**	11,749	12,430
Total costs and expenses	**155,327**	150,108	142,588
Interest expense (Note 16)	**1,780**	479	572
Net expense from transactions with Financing and Insurance Operations (Note 1)	**232**	296	435
(Loss) from continuing operations before income taxes, equity income, and minority interests	**(1,508)**	(633)	(422)
Income tax (benefit) expense (Note 11)	**(869)**	(378)	56
Equity income (loss) and minority interests	**674**	348	(68)
Income (loss) from continuing operations	**35**	93	(546)
(Loss) from discontinued operations (Note 2)	**(219)**	(239)	(621)
Gain on sale of discontinued operations	**1,179**	–	–
Net income (loss) – Automotive and Other Operations	**$ 995**	$ (146)	$ (1,167)

(Dollars in millions) Years ended December 31,	**2003**	2002	2001
FINANCING AND INSURANCE OPERATIONS			
Total revenues	**$ 29,693**	$ 27,074	$ 25,878
Interest expense (Note 16)	**7,684**	7,024	7,745
Depreciation and amortization expense (Note 12)	**6,032**	5,541	5,857
Operating and other expenses	**8,529**	8,306	7,308
Provisions for financing and insurance losses (Note 1)	**3,191**	3,528	2,527
Total costs and expenses	**25,436**	24,399	23,437
Net income from transactions with Automotive and Other Operations (Note 1)	**(232)**	(296)	(435)
Income before income taxes, equity income and minority interests	**4,489**	2,971	2,876
Income tax expense (Note 11)	**1,600**	1,022	1,038
Equity income (loss) and minority interests	**(62)**	(67)	(70)
Net income – Financing and Insurance Operations	**$ 2,827**	$ 1,882	$ 1,768

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 consolidated financial statements.

Consolidated Balance Sheets

(Dollars in millions) December 31,	**2003**	2002
GENERAL MOTORS CORPORATION AND SUBSIDIARIES		
ASSETS		
Cash and cash equivalents (Note 1)	**$ 32,554**	$ 20,320
Other marketable securities (Note 6)	**22,215**	16,825
Total cash and marketable securities	**54,769**	37,145
Finance receivables – net (Note 8)	**173,137**	134,643
Loans held for sale	**19,609**	15,720
Accounts and notes receivable (less allowances)	**20,532**	16,337
Inventories (less allowances) (Note 9)	**10,960**	9,737
Assets of discontinued operations	**–**	18,653
Deferred income taxes (Note 11)	**27,190**	39,767
Net equipment on operating leases (less accumulated depreciation) (Note 10)	**34,383**	31,026
Equity in net assets of nonconsolidated affiliates	**6,032**	5,097
Property – net (Note 12)	**38,211**	35,956
Intangible assets – net (Notes 1 and 13)	**4,760**	10,796
Other assets (Note 14)	**58,924**	14,176
Total assets	**$448,507**	$369,053
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable (principally trade)	**$ 25,422**	$ 21,138
Notes and loans payable (Note 16)	**271,756**	200,168
Liabilities of discontinued operations	**–**	7,956
Postretirement benefits other than pensions (Note 17)	**36,292**	38,152
Pensions (Note 17)	**8,024**	22,679
Deferred income taxes (Notes 11 and 15)	**7,508**	6,523
Accrued expenses and other liabilities (Note 15)	**73,930**	65,344
Total liabilities	**422,932**	361,960
Minority interests	**307**	279
Stockholders' equity (Note 19)		
$1-2/3 par value common stock (outstanding, 561,997,725 and 560,447,797 shares)	**937**	936
Class H common stock (outstanding, 958,284,272 shares in 2002)	**–**	96
Capital surplus (principally additional paid-in capital)	**15,185**	21,583
Retained earnings	**12,752**	10,031
Subtotal	**28,874**	32,646
Accumulated foreign currency translation adjustments	**(1,815)**	(2,784)
Net unrealized gains (losses) on derivatives	**51**	(205)
Net unrealized gains on securities	**618**	372
Minimum pension liability adjustment	**(2,460)**	(23,215)
Accumulated other comprehensive loss	**(3,606)**	(25,832)
Total stockholders' equity	**25,268**	6,814
Total liabilities and stockholders' equity	**$448,507**	$369,053

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

Supplemental Information to the Consolidated Balance Sheets

(Dollars in millions) December 31,	**2003**	2002
ASSETS		
Automotive and Other Operations		
Cash and cash equivalents (Note 1)	**$ 14,424**	$ 12,162
Marketable securities (Note 6)	**9,067**	2,174
Total cash and marketable securities	**23,491**	14,336
Accounts and notes receivable (less allowances)	**5,380**	4,735
Inventories (less allowances) (Note 9)	**10,960**	9,737
Assets of discontinued operations	**–**	18,653
Net equipment on operating leases (less accumulated depreciation) (Note 10)	**7,173**	5,305
Deferred income taxes and other current assets (Note 11)	**10,851**	9,631
Total current assets	**57,855**	62,397
Equity in net assets of nonconsolidated affiliates	**6,032**	5,097
Property – net (Note 12)	**36,071**	34,135
Intangible assets – net (Notes 1 and 13)	**1,479**	7,453
Deferred income taxes (Note 11)	**18,086**	31,431
Other assets (Note 14)	**42,262**	1,461
Total Automotive and Other Operations assets	**161,785**	141,974
Financing and Insurance Operations		
Cash and cash equivalents (Note 1)	**18,130**	8,158
Investments in securities (Note 6)	**13,148**	14,651
Finance receivables – net (Note 8)	**173,137**	134,643
Loans held for sale	**19,609**	15,720
Net equipment on operating leases (less accumulated depreciation) (Note 10)	**27,210**	25,721
Other assets (Note 14)	**35,488**	28,186
Net receivable from Automotive and Other Operations (Note 1)	**1,492**	1,089
Total Financing and Insurance Operations assets	**288,214**	228,168
Total assets	**$449,999**	$370,142
LIABILITIES AND STOCKHOLDERS' EQUITY		
Automotive and Other Operations		
Accounts payable (principally trade)	**$ 21,542**	$ 17,919
Loans payable (Note 16)	**2,813**	1,994
Liabilities of discontinued operations	**–**	7,956
Accrued expenses (Note 15)	**45,417**	39,113
Net payable to Financing and Insurance Operations (Note 1)	**1,492**	1,089
Total current liabilities	**71,264**	68,071
Long-term debt (Note 16)	**29,593**	14,261
Postretirement benefits other than pensions (Note 17)	**32,285**	34,244
Pensions (Note 17)	**7,952**	22,633
Other liabilities and deferred income taxes (Notes 11 and 15)	**15,567**	13,734
Total Automotive and Other Operations liabilities	**156,661**	152,943
Financing and Insurance Operations		
Accounts payable	**3,880**	3,219
Debt (Note 16)	**239,350**	183,913
Other liabilities and deferred income taxes (Note 11 and 15)	**24,533**	22,974
Total Financing and Insurance Operations liabilities	**267,763**	210,106
Total liabilities	**424,424**	363,049
Minority interests	**307**	279
Total stockholders' equity	**25,268**	6,814
Total liabilities and stockholders' equity	**$449,999**	$370,142

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 consolidated financial statements.

Consolidated Statements of Cash Flows

(Dollars in millions) For the years ended December 31,	**2003**	2002	2001
Cash flows from operating activities			
Income from continuing operations	**$ 2,862**	$ 1,975	$ 1,222
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
Depreciation and amortization expenses	**13,978**	11,865	11,764
Mortgage servicing rights amortization	**1,602**	3,871	948
Provision for financing losses	**1,608**	2,028	1,472
Other postretirement employee benefit (OPEB) expense	**4,599**	4,108	3,720
OPEB payments	**(3,536)**	(3,334)	(3,120)
VEBA contributions/withdrawals	**(3,000)**	(1,000)	1,300
Pension expense	**3,412**	1,780	540
Pension contributions	**(18,168)**	(5,156)	(317)
Retiree lump sum and vehicle voucher expense, net of payments	**923**	(254)	(136)
Net change in mortgage loans	**456**	(4,715)	(4,615)
Net change in mortgage securities	**236**	(656)	(777)
Change in other investments and miscellaneous assets	**1,741**	1,335	180
Change in other operating assets and liabilities (Note 1)	**792**	4,477	(234)
Other	**95**	(842)	233
Net cash provided by operating activities	**$ 7,600**	$ 15,482	$ 12,180
Cash flows from investing activities			
Expenditures for property	**(7,330)**	(6,871)	(7,832)
Investments in marketable securities – acquisitions	**(28,660)**	(39,386)	(38,248)
Investments in marketable securities – liquidations	**24,253**	35,688	37,560
Net change in mortgage servicing rights	**(2,557)**	(1,711)	(2,075)
Increase in finance receivables	**(149,419)**	(143,024)	(107,566)
Proceeds from sale of finance receivables	**107,505**	117,276	95,949
Proceeds from sale of business units	**4,148**	–	–
Operating leases – acquisitions	**(11,761)**	(16,624)	(12,938)
Operating leases – liquidations	**9,952**	13,994	11,892
Investments in companies, net of cash acquired (Note 1)	**(201)**	(870)	(1,283)
Other	**(1,422)**	1,004	126
Net cash used in investing activities	**(55,492)**	(40,524)	(24,415)
Cash flows from financing activities			
Net increase (decrease) in loans payable	**235**	770	(21,740)
Long-term debt – borrowings	**97,391**	51,411	62,956
Long-term debt – repayments	**(38,963)**	(24,365)	(19,789)
Repurchases of common and preference stocks	**–**	(97)	(264)
Proceeds from issuing common stocks	**–**	62	100
Proceeds from sales of treasury stocks	**60**	19	418
Cash dividends paid to stockholders	**(1,121)**	(1,121)	(1,105)
Other	**1,320**	333	924
Net cash provided by financing activities	**58,922**	27,012	21,500
Net cash provided by discontinued operations	**275**	–	–
Effect of exchange rate changes on cash and cash equivalents	**929**	495	(96)
Net increase in cash and cash equivalents	**12,234**	2,465	9,169
Cash and cash equivalents at beginning of the year	**20,320**	17,855	8,686
Cash and cash equivalents at end of the year	**$ 32,554**	$ 20,320	$ 17,855

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

Supplemental Information to the Consolidated Statements of Cash Flows

(Dollars in millions) For the years ended December 31,	2003		2002		2001	
	Automotive and Other	**Financing and Insurance**	Automotive and Other	Financing and Insurance	Automotive and Other	Financing and Insurance
Cash flows from operating activities						
Income (loss) from continuing operations	**$ 35**	**$ 2,827**	$ 93	$ 1,882	$ (546)	$ 1,768
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities						
Depreciation and amortization expenses	**7,946**	**6,032**	6,324	5,541	5,907	5,857
Mortgage servicing rights amortization	**–**	**1,602**	–	3,871	–	948
Provision for financing losses	**–**	**1,608**	–	2,028	–	1,472
Postretirement benefits other than pensions, net of payments and VEBA contributions	**(1,957)**	**20**	(241)	15	1,893	7
Pension expense, net of contributions	**(13,869)**	**36**	(3,639)	9	74	13
Net change in mortgage loans	**–**	**456**	–	(4,715)	–	(4,615)
Net change in mortgage securities	**–**	**236**	–	(656)	–	(777)
Change in other investments and miscellaneous assets	**(200)**	**1,941**	2,064	(729)	591	(411)
Change in other operating assets and liabilities (Note 1)	**3,067**	**(2,275)**	3,808	669	(1,152)	918
Other	**(348)**	**443**	(398)	(444)	1,020	(787)
Net cash (used in) provided by operating activities	**$ (5,326)**	**$ 12,926**	$ 8,011	$ 7,471	$ 7,787	$ 4,393
Cash flows from investing activities						
Expenditures for property	**(6,616)**	**(714)**	(6,414)	(457)	(7,812)	(20)
Investments in marketable securities – acquisitions	**(13,138)**	**(15,522)**	(2,228)	(37,158)	(767)	(37,481)
Investments in marketable securities – liquidations	**7,109**	**17,144**	873	34,815	1,228	36,332
Net change in mortgage servicing rights	**–**	**(2,557)**	–	(1,711)	–	(2,075)
Increase in finance receivables	**–**	**(149,419)**	–	(143,024)	–	(107,566)
Proceeds from sales of finance receivables	**–**	**107,505**	–	117,276	–	95,949
Proceeds from sale of business units	**4,148**	**–**	–	–	–	–
Operating leases – acquisitions	**–**	**(11,761)**	–	(16,624)	–	(12,938)
Operating leases – liquidations	**–**	**9,952**	–	13,994	–	11,892
Investments in companies, net of cash acquired (Note 1)	**(57)**	**(144)**	(688)	(182)	(741)	(542)
Net investing activity with Financing and Insurance Operations	**1,000**	**–**	400	–	(500)	–
Other	**332**	**(1,754)**	1,513	(509)	244	(118)
Net cash used in investing activities	**(7,222)**	**(47,270)**	(6,544)	(33,580)	(8,348)	(16,567)
Cash flows from financing activities						
Net (decrease) increase in loans payable	**(234)**	**469**	(335)	1,105	(1,440)	(20,300)
Long-term debt – borrowings	**14,785**	**82,606**	4,562	46,849	4,435	58,521
Long-term debt – repayments	**(19)**	**(38,944)**	(145)	(24,220)	(884)	(18,905)
Net financing activity with Automotive and Other Operations	**–**	**(1,000)**	–	(400)	–	500
Repurchases of common and preference stocks	**–**	**–**	(97)	–	(264)	–
Proceeds from issuing common stocks	**–**	**–**	62	–	100	–
Proceeds from sales of treasury stocks	**60**	**–**	19	–	418	–
Cash dividends paid to stockholders	**(1,121)**	**–**	(1,121)	–	(1,105)	–
Other	**–**	**1,320**	–	333	–	924
Net cash provided by financing activities	**13,471**	**44,451**	2,945	23,667	1,260	20,740
Net cash provided by discontinued operations	**275**	**–**	–	–	–	–
Effect of exchange rate changes on cash and cash equivalents	**661**	**268**	485	10	(74)	(22)
Net transactions with Automotive/Financing Operations	**403**	**(403)**	(467)	467	(414)	414
Net increase (decrease) in cash and cash equivalents	**2,262**	**9,972**	4,430	(1,965)	211	8,958
Cash and cash equivalents at beginning of the year	**12,162**	**8,158**	7,732	10,123	7,521	1,165
Cash and cash equivalents at end of the year	**$ 14,424**	**$ 18,130**	$12,162	$ 8,158	$ 7,732	$ 10,123

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 consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(Dollars in millions)	Total Capital Stock	Capital Surplus	Comprehensive Income (Loss)	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at January 1, 2001	$1,002	$21,020		$10,119	$ (1,966)	$ 30,175
Shares reacquired	–	(125)		–	–	(125)
Shares issued	18	624		–	–	642
Comprehensive income:						
Net income	–	–	$ 601	601	–	601
Other comprehensive income (loss):						
Foreign currency translation adjustments	–	–	(417)	–	–	–
Unrealized losses on derivatives	–	–	(307)	–	–	–
Unrealized losses on securities	–	–	(69)	–	–	–
Minimum pension liability adjustment	–	–	(9,536)	–	–	–
Other comprehensive loss	–	–	(10,329)		(10,329)	(10,329)
Comprehensive loss	–	–	$ (9,728)	–	–	–
Delphi spin-off adjustment (a)	–	–		(56)	–	(56)
Cash dividends	–	–		(1,201)	–	(1,201)
Balance at December 31, 2001	1,020	21,519		9,463	(12,295)	19,707
Shares reacquired	–	(2,086)		–	–	(2,086)
Shares issued	12	2,150		–	–	2,162
Comprehensive income:						
Net income	–	–	$ 1,736	1,736		1,736
Other comprehensive income (loss):						
Foreign currency translation adjustments	–	–	135	–	–	–
Unrealized gains on derivatives	–	–	102	–	–	–
Unrealized losses on securities	–	–	(140)	–	–	–
Minimum pension liability adjustment	–	–	(13,634)	–	–	–
Other comprehensive loss	–	–	(13,537)	–	(13,537)	(13,537)
Comprehensive loss	–	–	$(11,801)	–	–	–
Cash dividends	–	–		(1,168)	–	(1,168)
Balance at December 31, 2002	1,032	21,583		10,031	(25,832)	6,814
Shares issued	16	1,324		–	–	1,340
Comprehensive income:						
Net income	–	–	$ 3,822	3,822	–	3,822
Other comprehensive income:						
Foreign currency translation adjustments	–	–	969	–	–	–
Unrealized gains on derivatives	–	–	256	–	–	–
Unrealized losses on securities	–	–	246	–	–	–
Minimum pension liability adjustment	–	–	20,755	–	–	–
Other comprehensive income	–	–	22,226	–	22,226	22,226
Comprehensive income	–	–	$ 26,048	–	–	–
Effect of Hughes transactions (Note 2)	(111)	(8,056)				(8,167)
Stock options	–	334			–	334
Delphi spin-off adjustment (b)	–	–		20	–	20
Cash dividends	–	–		(1,121)	–	(1,121)
Balance at December 31, 2003	**$ 937**	**$15,185**		**$12,752**	**$ (3,606)**	**$ 25,268**

(a) Resolution of workers' compensation, pension, and other postemployment liabilities owed to GM by Delphi Automotive Systems, which GM spun off in 1999.
(b) Write-off of deferred taxes related to the 1999 spin-off of Delphi Automotive Systems.

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

Notes to Consolidated Financial Statements

Note 1 Significant Accounting Policies

Principles of Consolidation

The 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 associates, in which at least 20% of the voting securities is owned, is included in the consolidated operating results using the equity method of accounting, except for investments where GM is not able to exercise significant influence over the operating and financial decisions of the investee, in which case, the cost method of accounting is used. GM encourages reference to the GMAC Annual Report on Form 10-K for the period ended December 31, 2003, filed separately with the U.S. Securities and Exchange Commission (SEC).

Certain amounts for 2002 and 2001 have been reclassified to conform with the 2003 classifications.

Nature of Operations, Financial Statement Presentation, and Supplemental Information

GM presents its primary financial statements on a fully consolidated basis. Transactions between businesses have been eliminated in the Corporation's 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, locomotives, 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.

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainties involved in making estimates, actual results reported in future periods may differ from those estimates.

Revenue Recognition

Sales generally are recorded when products are shipped (when title and risks and rewards of ownership have passed), or when services are rendered to independent dealers or other third parties. Provisions for dealer and customer sales incentives, allowances, and rebates are made at the time of vehicle sales. Incentives, allowances, and rebates related to vehicles previously sold are recognized as reductions of sales when announced.

Financing revenue is recorded over the terms of the receivables using the interest method. Income from operating lease assets is recognized on a straight-line basis over the scheduled lease terms.

Insurance premiums are earned on a basis related to coverage provided over the terms of the policies. Commissions, premium taxes, and other costs incurred in acquiring new business are deferred and amortized over the terms of the related policies on the same basis as premiums are earned.

Advertising and Research and Development

Advertising, research and development, and other product-related costs are charged to expense as incurred. Advertising expense was $4.7 billion in 2003, $4.4 billion in 2002, and $4.1 billion in 2001. Research and development expense was $5.7 billion in 2003 and 2002, and $6.1 billion in 2001.

Depreciation and Amortization

Expenditures for special tools placed in service after January 1, 2002 are amortized using the straight-line method over their estimated useful lives. Expenditures for special tools placed in service prior to January 1, 2002 are amortized over their estimated useful lives, primarily using the units of production method. Replacements of special tools for reasons other than changes in products are charged directly to cost of sales. As of January 1, 2001, the Corporation adopted the straight-line method of depreciation for real estate, plants, and equipment placed in service after that date. Assets placed in service before January 1, 2001 continue generally to be depreciated using accelerated methods. The accelerated methods accumulate depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives of property groups as compared to the straight-line method, which allocates depreciable costs equally over the estimated useful lives of property groups. Management believes the adoption of the straight-line amortization/depreciation method for special tools placed into service after January 1, 2002, and real estate, plants, and equipment placed into service after January 1, 2001, better reflects the consistent use of these assets over their useful lives.

Equipment on operating leases is depreciated using the straight-line method over the term of the lease agreement. The difference between the net book value and the proceeds of sale or salvage on items disposed of is accounted for as a charge against or credit to the provision for depreciation.

Valuation of Long-Lived Assets

GM periodically evaluates the carrying value of long-lived assets to be held and used in the business, other than goodwill and intangible assets with indefinite lives, and assets held for sale when events and circumstances warrant, generally in conjunction with the annual business planning cycle. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value for assets to be held and used. For assets held for sale, such loss is further increased by costs to sell. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Long-lived assets to be disposed of other than by sale are considered held and used until disposed of.

Note 1 Significant Accounting Policies *(continued)*

Goodwill and Other Intangible Assets

Prior to January 1, 2002, goodwill was amortized using the straight-line method over 20- to 40-year periods. On January 1, 2002, the Corporation implemented Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," which ceased the amortization method of accounting for goodwill and changed to an impairment-only approach. Accordingly, goodwill is no longer amortized and is tested for impairment at least annually.

GM's reported income and earnings per share from continuing operations information, exclusive of amortization expense recognized related to goodwill required under previous accounting standards on an after-tax basis, is as follows (dollars in millions except per share amounts):

Years ended December 31,	**2003**	2002	2001
Net income from continuing operations, as reported	**$2,862**	$1,975	$1,222
Add:			
Goodwill amortization	**–**	–	107
Adjusted net income	**$2,862**	$1,975	$1,329
Basic earnings per share from continuing operations attributable to GM $1-2/3 par value			
Reported	**$ 5.10**	$ 3.53	$ 2.21
Adjusted	**$ 5.10**	$ 3.53	$ 2.41
Earnings per share from continuing operations attributable to GM $1-2/3 par value assuming dilution			
Reported	**$ 5.03**	$ 3.51	$ 2.20
Adjusted	**$ 5.03**	$ 3.51	$ 2.39

Foreign Currency Transactions and Translation

Foreign currency exchange transaction and translation losses including the effect of derivatives, net of taxes, included in consolidated net income in 2003, 2002, and 2001, pursuant to SFAS No. 52, "Foreign Currency Translation," amounted to $122 million, $103 million, and $129 million, respectively.

Policy and Warranty

Provisions for estimated expenses related to product warranties are made at the time products are sold. These estimates are established using historical information on the nature, frequency, and average cost of warranty claims. Management actively studies trends of warranty claims and takes action to improve vehicle quality and minimize warranty claims. (See Note 15.)

Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments with original maturities of 90 days or less.

Statements of Cash Flows Supplementary Information

	Years ended December 31,		
(Dollars in millions)	**2003**	2002	2001
Automotive and Other Operations			
Increase (decrease) in cash due to changes in other operating assets and liabilities was as follows:			
Accounts receivable	**$ (575)**	$ (93)	$ 76
Prepaid expenses and other deferred charges	**(578)**	268	(93)
Inventories	**(518)**	221	545
Accounts payable	**2,400**	1,053	545
Deferred taxes and income taxes payable	**2,219**	(1,825)	(1,404)
Accrued expenses and other liabilities	**3,049**	5,517	(1,384)
Fleet rental – acquisitions	**(7,761)**	(5,595)	(4,997)
Fleet rental – liquidations	**4,831**	4,262	5,560
Total	**$ 3,067**	$ 3,808	$(1,152)
Cash paid for interest	**$ 1,398**	$ 1,033	$ 700

During 2003, Auto & Other made investments in companies, net of cash acquired, of approximately $60 million.

During 2002, Auto & Other made investments in companies, net of cash acquired, of approximately $700 million. This amount consists primarily of GM's purchase of a 44.6% equity interest in GM Daewoo Auto & Technology Company (GMDAT) for approximately $251 million and GM's investments in Isuzu-related entities for $180 million.

During 2001, the majority of the $740 million of investments made by Auto & Other consisted of GM's purchase of an additional 10% ownership in Suzuki Motor Corporation (Suzuki) for approximately $520 million.

	Years ended December 31,		
(Dollars in millions)	**2003**	2002	2001
Financing and Insurance Operations			
Increase (decrease) in cash due to changes in other operating assets and liabilities was as follows:			
Other receivables	**$(1,050)**	$ (278)	$ (736)
Accounts payable and other liabilities	**733**	264	1,306
Deferred taxes and income taxes payable	**(1,958)**	683	348
Total	**$(2,275)**	$ 669	$ 918
Cash paid for interest	**$ 6,965**	$ 6,333	$6,932

FIO made investments in companies, net of cash acquired, of approximately $140 million, $180 million, and $540 million, in 2003, 2002, and 2001, respectively. The 2001 investments were primarily for a mortgage warehouse lending business.

Note 1 Significant Accounting Policies *(continued)*

Derivative Instruments

GM is party to a variety of foreign exchange rate, interest rate and commodity forward contracts, and options entered into in connection with the management of its exposure to fluctuations in foreign exchange rates, interest rates, and certain commodity prices. These financial exposures are managed in accordance with corporate policies and procedures.

All derivatives are recorded at fair value on the consolidated balance sheet. Effective changes in fair value of derivatives designated as cash flow hedges and hedges of a net investment in a foreign operation are recorded in net unrealized gain (loss) on derivatives, a separate component of other income (loss). Amounts are reclassified from accumulated other comprehensive loss when the underlying hedged item affects earnings and all ineffective changes in fair value are recorded currently in earnings. Changes in fair value of derivatives designated as fair value hedges are recorded currently in earnings offset to the extent the derivative was effective by changes in fair value of the hedged item. Changes in fair value of derivatives not designated as hedging instruments are recorded currently in earnings.

New Accounting Standards

Beginning January 1, 2003, 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, "Accounting for Stock-Based Compensation." The fair value of stock option grants is estimated on the date of grant using the Black-Scholes option-pricing model. The fair value of other stock compensation awards is determined by the market price of GM $1-2/3 common stock on the date of grant. The total expense for 2003 was $229 million ($142 million net of tax), recorded in cost of sales and other expenses. For 2002 and prior years, as permitted by SFAS No. 123, GM applied the intrinsic value method of recognition and measurement under Accounting Principles Board Opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees," to its stock options and other stock-based employee compensation awards. No compensation expense related to employee stock options is reflected in net income for these periods, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of the grant.

In accordance with the disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," since GM adopted the fair value based method of accounting for stock-based employee compensation pursuant to SFAS No. 123 effective January 1, 2003 for newly granted stock based compensation awards only, the following table illustrates the effect on net income and earnings per share if compensation cost for all outstanding and unvested stock options and other stock-based employee compensation awards had been determined based on their fair values at the grant date (dollars in millions except per share amounts):

	Years ended December 31,		
	2003	2002	2001
Net income from continuing operations, as reported	**$2,862**	$1,975	$1,222
Add: stock-based compensation expense, included in reported net income, net of related tax effects	**142**	44	18
Deduct: total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	**(195)**	(187)	(156)
Pro forma net income from continuing operations	**$2,809**	$1,832	$1,084
Earnings from continuing operations attributable to GM $1-2/3 par value common stocks			
– as reported	**$2,862**	$1,975	$1,220
– pro forma	**$2,809**	$1,832	$1,082
Basic earnings per share from continuing operations attributable to GM $1-2/3 par value			
– as reported	**$ 5.10**	$ 3.53	$ 2.21
– pro forma	**$ 5.01**	$ 3.27	$ 1.96
Diluted earnings per share from continuing operations attributable to GM $1-2/3 par value			
– as reported	**$ 5.03**	$ 3.51	$ 2.20
– pro forma	**$ 4.93**	$ 3.26	$ 1.95

In December 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value of the obligations it assumes under that guarantee. This interpretation is applicable on a prospective basis to guarantees issued or modified after December 31, 2002. FIN 45 also contains disclosure provisions surrounding existing guarantees, which are effective for financial statements of interim or annual periods ending after December 15, 2002. See Note 18.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46), which requires the consolidation of certain entities considered to be variable interest entities (VIEs). An entity is considered to be a VIE when it has equity investors who lack the characteristics of having a controlling

Note 1 Significant Accounting Policies *(concluded)*

financial interest, or its capital is insufficient to permit it to finance its activities without additional subordinated financial support. Consolidation of a VIE by an investor is required when it is determined that the investor will absorb a majority of the VIE's expected losses or residual returns if they occur. FIN 46 provides certain exceptions to these rules, relating to qualifying special purpose entities (QSPEs) subject to the requirements of SFAS No. 140. Upon its original issuance, FIN 46 required that VIEs created after January 31, 2003 would be consolidated immediately, while VIEs created prior to February 1, 2003 were to be consolidated as of July 1, 2003.

In October 2003, the FASB deferred the effective date for consolidation of VIEs created prior to February 1, 2003 to December 31, 2003 for calendar year-end companies, with earlier application encouraged. GM adopted FIN 46 as of its original effective date of July 1, 2003 for entities created prior to February 1, 2003. The application of the consolidation provisions of FIN 46 resulted in an increase in assets and debt of approximately $4.6 billion ($917 million in Auto & Other, and $3.7 billion in FIO), and a cumulative effect of accounting change recorded in cost of sales of $27 million after tax, related to Auto & Other and no net income effect at FIO. Refer to Note 7 for further discussion of GM's involvement in variable interest entities.

In December 2003, the FASB published a revision to FIN 46 (FIN 46R) to clarify some of the provisions of the original interpretation and to exempt certain entities from its requirements. FIN 46R provides special effective date provisions to enterprises that fully or partially applied FIN 46 prior to the issuance of the revised interpretation. In particular, entities that have already adopted FIN 46 are not required to adopt FIN 46R until the quarterly reporting period ended March 31, 2004. The Corporation is currently reviewing the provisions of FIN 46R and will adopt FIN 46R for the quarterly reporting period ending March 31, 2004.

In April 2003, the FASB issued SFAS No. 149, "Amendments of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. The Statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard did not have a material effect on the Corporation's financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Statement is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. The adoption of this standard did not have a material effect on the Corporation's financial condition or results of operations.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." The revisions to SFAS No. 132 are intended to improve financial statement disclosures for defined benefit plans and was initiated in 2003 in response to concerns raised by investors and other users of financial statements about the need for greater transparency of pension information. In particular the standard requires that companies provide more details about their plan assets, benefit obligations, cash flows, benefit costs and other relevant quantitative and qualitative information. The guidance is effective for fiscal years ending after December 15, 2003. Refer to Note 17 for further discussion of GM's pension and other postretirement benefits obligations.

Labor Force

GM, on a worldwide basis, has a concentration of its labor supply in employees working under union collective bargaining agreements, of which certain contracts expired in 2003.

The 2003 United Auto Workers (UAW) labor contract was ratified on October 6, 2003 covering a four-year term from 2003-2007. The contract included a $3,000 lump sum payment per UAW employee paid in October 2003, and a 3% performance bonus per UAW employee to be paid in October 2004. GM will amortize these payments over the 12-month period following the respective payment dates. UAW employees will receive a gross wage increase of 2% in 2005 and 3% in 2006. Active UAW employees were also granted pension benefit increases. There were no pension benefit increases granted to current retirees and surviving spouses. However, the contract does provide for four lump sum payments and two vehicle discount vouchers for current retirees and surviving spouses. The retiree lump sum payments and vehicle discount vouchers resulted in a charge to GM's 2003 fourth quarter cost of sales of approximately $1.2 billion ($725 million after tax).

Note 2 Discontinued Operations

On December 22, 2003 GM completed a series of transactions that resulted in the split-off of Hughes from GM and the simultaneous sale of GM's approximately 19.8% economic interest in Hughes to the News Corporation, Ltd. (News Corporation).

In the transactions, GM split off Hughes by distributing Hughes common stock to the holders of GM Class H common stock in exchange for all outstanding shares of GM Class H common stock. Simultaneously, GM sold its 19.8% economic interest in Hughes to News Corporation in exchange for cash and News Corporation Preferred American Depositary Shares (Preferred ADSs). All shares of GM Class H common stock were then cancelled. News Corporation then acquired from the former GM Class H common stockholders an additional 14.2% of the outstanding shares of Hughes common stock in exchange for News Corporation Preferred ADSs.

GM sold 80 percent of its 19.8% retained economic interest in Hughes to News Corporation for a total of approximately $3.1 billion in cash. GM sold the remaining 20% of its retained economic interest in Hughes to News Corporation for approximately 28.6 million News Corporation Preferred ADSs, valued at $819 million at December 22, 2003. Including Hughes' transaction expenses of approximately $90 million, GM recorded a net gain of $1.2 billion from the sale of GM's approximately 19.8% economic interest in Hughes, reported as gain on sale of discontinued operations in GM's Consolidated Statement of Income for 2003. In addition, as a result of the transactions, there was a net reduction to GM's stockholders' equity of approximately $7.0 billion.

All News Corporation Preferred ADSs were sold by GM in January 2004.

Note 2 Discontinued Operations *(concluded)*

The financial data related to GM's investment in Hughes through December 22, 2003 is classified as discontinued operations for all periods presented. The financial data of Hughes reflect the historical results of operations and cash flows of the businesses that were considered part of the Hughes business segment of GM during each respective period, and the assets and liabilities of Hughes as of the respective dates.

Hughes' net sales included in discontinued operations were $9.8 billion, $9.5 billion, and $8.3 billion for 2003, 2002, and 2001, respectively, and Hughes' net losses from discontinued operations were $219 million, $239 million, and $621 million for 2003, 2002, and 2001, respectively.

The Hughes amounts reported as assets and liabilities of discontinued operations were as follows (in millions):

December 31,	2002
Current assets	$ 3,670
Property and equipment – net	1,558
Intangible assets	7,158
Other assets	6,267
Assets of discontinued operations	$18,653
Current liabilities	$ 3,177
Long-term debt	2,390
Other liabilities	2,389
Liabilities of discontinued operations	$ 7,956

Note 3 Asset Impairments

GM recorded pre-tax charges against income for asset impairments of $835 million ($533 million after tax, or $0.94 per diluted share) in 2003, $254 million ($158 million after tax, or $0.28 per diluted share) in 2002 and $140 million ($90 million after tax, or $0.16 per diluted share) in 2001. These charges were recorded in cost of sales and other expenses in the income statement.

In 2003, the pre-tax charges were comprised of $767 million ($491 million after tax) related to special tools and other assets related to product lines and $68 million ($42 million after tax) related to real estate.

In 2002 the charges were related to production facilities and special tools.

The 2001 charges related to the write-down of equipment as a result of the announcement of the closing of the Ste. Therese, Quebec, assembly plant in 2002 and the write-down of certain equipment on operating leases that was determined to be impaired in GMNA.

Note 4 Investment in Nonconsolidated Associates

Nonconsolidated affiliates are those investees of GM for which GM uses the equity method of accounting, because GM has the ability to exert significant influence over the operating and financial decisions of the affiliate. GM's significant affiliates and GM's ownership percentage include the following: Italy – GM-Fiat Powertrain (50% in 2003, 2002, 2001); Japan – Fuji Heavy Industries, Ltd., (20% in 2003, 21% in 2002, 2001); Suzuki Motor Corporation (20.1%, 20.2% and 20.3% in 2003, 2002, 2001, respectively); China – Shanghai General Motors Corporation (50% in 2003, 2002, 2001); Korea – GMDAT (44.6% in 2003 and 2002, 0% in 2001).

Further information regarding the book value of GM's investments and its share of income for all affiliates, as well as the total assets and liabilities of the above significant affiliates, is included in the table below:

(In millions)	Italy	Japan	China	Korea
2003				
Book value of GM's investments in affiliates	**$ 946**	**$ 2,781**	**$ 964**	**$ 200**
GM's share of affiliates' net income (loss)	**$ 95**	**$ 196**	**$ 437**	**$ (74)**
Total assets of significant affiliates (1)	**$7,939**	**$29,622**	**$2,723**	**$3,263**
Total liabilities of significant affiliates (1)	**$5,309**	**$17,764**	**$1,175**	**$2,892**
2002				
Book value of GM's investments in affiliates	$ 753	$ 2,322	$ 659	$ 252
GM's share of affiliates net income (loss)	$ 80	$ 133	$ 142	$ (45)
Total assets of significant affiliates (1)	$6,589	$24,579	$1,698	$2,277
Total liabilities of significant affiliates (1)	$4,479	$14,966	$ 634	$1,771
2001				
Book value of GM's investments in affiliates	$ 699	$ 2,214	$ 486	$ 0
GM's share of affiliates net income (loss)	$ 32	$ (102)	$ 38	$ 0
Total assets of significant affiliates (1)	$5,361	$23,960	$1,374	$ 0
Total liabilities of significant affiliates (1)	$3,936	$14,911	$ 530	$ 0

(1) *As defined above*

Note 5 Postemployment Benefit Costs

GM records liabilities for termination and other postemployment benefits to be paid pursuant to the union or other contractual agreements in connection with closed plants in North America. GM reviews the adequacy and continuing need for these liabilities on an annual basis in conjunction with its year-end production and labor forecasts. Furthermore, GM reviews the reasonableness of these liabilities on a quarterly basis.

The liability for postemployment benefits as of December 31, 2003 totals approximately $384 million relating to nine plants and approximately 2,900 employees, with anticipated spending of approximately 96% over the next three years. The liability for postemployment benefits was $613 million relating to 11 plants and approximately 3,400 employees as of December 31, 2002. The liability for postemployment benefits was $626 million relating to 12 plants and approximately 5,800 employees as

Note 5 Postemployment Benefit Costs *(concluded)*

of December 31, 2001. The following table summarizes the activity from December 31, 2001 through December 31, 2003 for this liability (dollars in millions):

Balance at December 31, 2001	$ 626
Spending	(182)
Interest accretion	47
Additions	281
Adjustments	(159)
Balance at December 31, 2002	$ 613
Spending	(189)
Interest accretion	31
Additions	–
Adjustments	(71)
Balance at December 31, 2003	**$ 384**

In 2003, GM recognized adjustments of $71 million to reduce the liability balance of existing closed plants ($44 million after tax, or $0.08 per share of GM $1-2/3 par value common stock), recorded in cost of sales. The adjustments are primarily the result of the reversal of the remaining postemployment liabilities for employees at the Janesville, Wisconsin plant location, a reduction of the respective liabilities for employees at the Oklahoma City, Oklahoma, plant, and an increase of the liabilities at the Wilmington, Delaware, plant. The Janesville charge was established in 2002, relating to 772 employees impacted by the transfer of commercial truck production from Janesville to Flint, Michigan. The reversal is primarily due to earlier than anticipated retirements of 479 employees. The adjustments also include a reduction in the reserve for the Oklahoma City plant, as employees have been absorbed into the continuing workforce due to increased manpower requirements. The Wilmington plant reserve is increased to account for increased duration that employees will not be absorbed into the continuing workforce due to a change in the production plan.

In 2002, GM recognized postemployment benefit liabilities of $281 million ($174 million after tax, or $0.31 per share of GM $1-2/3 par value common stock) primarily related to the transfer of commercial truck production from Janesville to Flint. The Janesville charge related to 772 employees and was included in cost of sales. The adjustments of $159 million ($99 million after tax or $0.18 per share of GM $1-2/3 par value common stock), recorded in cost of sales, are primarily the result of a reversal of postemployment benefit liabilities for employees at the Spring Hill, Tennessee, plant. This reversal was recorded due to approximately 400 employees, who had been included in the planned production capacity reduction but were instead absorbed into the continuing workforce due to a change in the plan.

Note 6 Marketable Securities

Marketable securities held by GM are classified as available-for-sale, except for certain mortgage-related securities, which are classified as held-to-maturity or trading securities, and News Corporation ADSs, which are classified as trading securities. Unrealized gains and losses, net of related income taxes, for available-for-sale and held-to-maturity securities are included as a separate component of stockholders' equity. Unrealized gains and losses for trading securities are included in income on a current basis. GM determines cost on the specific identification basis.

Automotive and Other Operations

Investments in marketable securities were as follows (dollars in millions):

December 31, 2003	**Cost**	**Book/ Fair Value**	**Unrealized Gains**	**Unrealized Losses**
Type of security				
Corporate debt securities and other	**$5,246**	**$5,246**	**$ 9**	**$ 9**
U.S. government and agencies	**2,865**	**2,867**	**9**	**7**
Mortgage-backed securities	**90**	**90**	**–**	**–**
Total debt securities available for sale	**8,201**	**8,203**	**–**	**–**
News Corporation ADSs	**819**	**864**	**–**	**–**
Total marketable securities	**$9,020**	**$9,067**	**$18**	**$16**

December 31, 2002	Cost	Book/ Fair Value	Unrealized Gains	Unrealized Losses
Type of security				
Corporate debt securities and other	$1,456	$1,469	$18	$5
U.S. government and agencies	606	612	6	–
Mortgage-backed securities	93	93	–	–
Total marketable securities	$2,155	$2,174	$24	$5

Debt securities totaling $752 million mature within one year and $7.1 billion mature after one through five years, $79 million mature after five through 10 years and $247 million mature after 10 years. Proceeds from sales of marketable securities totaled $7.1 billion in 2003, $4.7 million in 2002, and $373 million in 2001. The gross gains related to sales of marketable securities were $7 million, $3 million, and $3 million in 2003, 2002, and 2001, respectively. The gross losses related to sales of marketable securities were $11 million in 2003, $1 million in 2002, and $7 million in 2001.

Financing and Insurance Operations

Investments in marketable securities were as follows (dollars in millions):

December 31, 2003	**Cost**	**Book/ Fair Value**	**Unrealized Gains**	**Unrealized Losses**
Type of security				
Bonds, notes, and other securities				
United States government and agencies	**$ 716**	**$ 722**	**$ 7**	**$ 1**
States and municipalities	**595**	**647**	**52**	**–**
Foreign government securities	**543**	**550**	**8**	**1**
Mortgage- and asset-backed securities	**1,806**	**1,949**	**150**	**7**
Corporate debt securities and other	**3,078**	**3,200**	**129**	**7**
Total debt securities available-for-sale	**6,738**	**7,068**	**346**	**16**
Mortgage-backed securities held-to-maturity	**240**	**240**	**–**	**–**
Mortgage-backed securities held for trading purposes	**4,483**	**4,142**	**–**	**341**
Total debt securities	**11,461**	**11,450**	**346**	**357**
Equity securities	**1,185**	**1,698**	**522**	**9**
Total investment in marketable securities	**$12,646**	**$13,148**	**$868**	**$366**
Total consolidated other marketable securities	**$21,666**	**$22,215**	**$886**	**$382**

Note 6 Marketable Securities *(concluded)*

December 31, 2002	Cost	Book/ Fair Value	Unrealized Gains	Unrealized Losses
Type of security				
Bonds, notes, and other securities				
United States government and agencies	$ 2,836	$ 2,875	$ 39	$ –
States and municipalities	599	650	52	1
Foreign government securities	479	497	19	1
Mortgage- and asset-backed securities	2,529	2,761	296	64
Corporate debt securities and other	1,836	1,933	106	9
Total debt securities available-for-sale	8,279	8,716	512	75
Mortgage-backed securities held-to-maturity	305	305	–	–
Mortgage-backed securities held for trading purposes	5,176	4,378	–	798
Total debt securities	13,760	13,399	512	873
Equity securities	1,224	1,252	163	135
Total investment in marketable securities	$14,984	$14,651	$675	$1,008
Total consolidated other marketable securities	$17,139	$16,825	$699	$1,013

Debt securities available-for-sale totaling $1.1 billion mature within one year, $2.0 billion mature after one through five years, $1.6 billion mature after five years through 10 years, and $2.4 billion mature after 10 years. Proceeds from sales of marketable securities totaled $7.6 billion in 2003, $12.8 billion in 2002, and $5.1 billion in 2001. The gross gains related to sales of marketable securities were $270 million, $402 million, and $228 million in 2003, 2002, and 2001, respectively. The gross losses related to sales of marketable securities were $202 million, $121 million, and $145 million in 2003, 2002, and 2001, respectively.

Note 7 Variable Interest Entities

As discussed in Note 1, GM applied the provisions of FIN 46 to all variable interest entities beginning July 1, 2003. In connection with the application of FIN 46, GM is providing information below concerning variable interest entities that: (1) are consolidated by GM because GM is deemed to be the primary beneficiary and (2) those entities that GM does not consolidate because, although GM has significant interests in such variable interest entities, GM is not the primary beneficiary.

Automotive and Other Operations

Synthetic Leases – GM leases real estate and equipment from various special purpose entities (SPEs) that have been established to facilitate the financing of those assets for GM by nationally prominent, creditworthy lessors. These assets consist principally of office buildings, warehouses, and machinery and equipment. The use of SPEs 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 interests in these SPEs. Certain of these SPEs were determined to be VIEs under FIN 46. For those leases where GM provides a residual value guarantee of the leased property and is considered the primary beneficiary under FIN 46, GM consolidated these entities as of July 1, 2003. This resulted, for Auto & Other, in an initial increase in assets and debt of $917 million and a cumulative effect of accounting change recorded in cost of sales of $27 million after tax. As of December 31, 2003, the carrying amount of assets and liabilities consolidated under FIN 46 amounted to $878 million and $945 million, respectively. Assets consolidated are classified as “Property” in GM’s consolidated financial statements. GM’s maximum exposure to loss related to consolidated VIEs amounts to $795 million. For other such lease arrangements involving VIEs, GM holds significant variable interests but is not considered the primary beneficiary under FIN 46. GM’s maximum exposure to loss related to VIEs where GM has a significant variable interest, but does not consolidate the entity, amounts to $557 million.

Financing and Insurance Operations

Mortgage warehouse funding – GMAC’s Mortgage operations sell commercial and residential mortgage loans through various structured finance arrangements in order to provide funds for the origination and purchase of future loans. These structured finance arrangements include sales to off-balance sheet warehouse funding entities, including GMAC- and bank-sponsored commercial paper conduits. Transfers of assets from GMAC into each facility are accounted for as sales based on the provisions of SFAS No. 140, and as such, creditors of these facilities have no recourse to the general credit of GMAC. Some of these warehouse funding entities represent variable interest entities under FIN 46. For certain mortgage warehouse entities, management determined that GMAC does not have the majority of the expected losses or returns and, as such, consolidation is not appropriate under FIN 46. The assets in these entities totaled $2.4 billion, of which $0.8 billion represents GMAC’s maximum exposure to loss. The maximum exposure would occur only in the unlikely event that there was a complete loss on the underlying assets of the entities. In other entities, GMAC was considered the primary beneficiary, and the activities of these entities were either terminated prior to July 1, 2003, or GMAC consolidated these entities pursuant to FIN 46. As of December 31, 2003, the consolidated entities had no assets remaining and had been terminated.

Interests in Real Estate Partnerships – The Corporation’s Mortgage operations syndicate investments in real estate partnerships to unaffiliated investors and, in certain partnerships, guarantee the timely payment of a specified return to those investors. Returns to investors in the partnerships syndicated by the Corporation are derived from tax credits and tax losses generated by underlying operating partnership entities that develop, own, and operate affordable housing properties throughout the United States. Syndicated tax credit partnerships that contain a guarantee are reflected in the Corporation’s financial statements under the financing method. In addition, the Corporation has variable interests in the underlying operating partnerships (primarily in the form of limited partnership

Note 7 Variable Interest Entities *(concluded)*

interests). The results of the Corporation's variable interest analysis indicated that GMAC is not the primary beneficiary of these partnerships and, as a result, is not required to consolidate these entities under FIN 46. Assets outstanding in these partnerships approximated $3 billion at December 31, 2003. GMAC's exposure to loss at such time was $675 million, representing the amount payable to investors in the event of liquidation of the partnerships. The Corporation's exposure to loss increases as unaffiliated investors place additional guaranteed commitments with the Corporation. Considering such committed amounts, the Corporation's exposure to loss in future periods is not expected to exceed $1.2 billion.

Collateralized debt obligations (CDOs) – GMAC's Mortgage operations sponsor, purchase subordinate and equity interests in, and serve as collateral manager for CDOs. Under CDO transactions, a trust is established that purchases a portfolio of securities and issues debt and equity certificates, representing interests in the portfolio of assets. In addition to receiving variable compensation for managing the portfolio, the Corporation sometimes retains equity investments in the CDOs. The majority of the CDOs sponsored by the Corporation were initially structured or have been restructured (with approval by the senior beneficial interest holders) as qualifying special purpose entities, and are therefore exempt from FIN 46. For the Corporation's remaining CDOs, the results of the primary beneficiary analysis support the conclusion that consolidation is not appropriate under FIN 46 because GMAC does not have the majority of the expected losses or returns. The assets in these CDOs totaled $2.0 billion of which GMAC's maximum exposure to loss is $40 million, representing GMAC's retained interests in these entities. The maximum exposure to loss would occur only in the unlikely event that there was a complete loss on the underlying assets of the entities.

Automotive Finance Receivables – In certain securitization transactions, GMAC securitizes consumer and commercial finance receivables into bank-sponsored multi-seller commercial paper conduits. These conduits provide a funding source to GMAC (as well as other sellers into the conduit) as they fund the purchase of the receivables through the issuance of commercial paper. Total assets outstanding in these bank-sponsored conduits approximated $13 billion as of December 31, 2003. While GMAC has a variable interest in these conduits, the Corporation is not deemed to be the primary beneficiary, as GMAC does not retain the majority of the expected losses or returns. GMAC's maximum exposure to loss as a result of its involvement with these nonconsolidated variable interest entities is $179 million and would be realized only in the event of a complete loss on the assets that GMAC sold.

Note 8 Finance Receivables and Securitizations

Finance Receivables – Net

Finance receivables – net included the following (dollars in millions):

December 31,	**2003**	2002
Consumer		
Retail automotive	**$ 87,163**	$ 78,857
Residential mortgages	**46,307**	15,238
Total consumer	**133,470**	94,095
Commercial		
Automotive:		
Wholesale	**25,517**	21,459
Leasing and lease financing	**1,465**	5,910
Term loans to dealers and others	**3,912**	4,190
Commercial and industrial	**9,783**	9,464
Commercial real estate:		
Commercial mortgage	**180**	621
Construction	**2,053**	1,963
Total commercial	**42,910**	43,607
Total finance receivables and loans	**176,380**	137,702
Allowance for financing losses	**(3,243)**	(3,059)
Total consolidated finance receivables – net (1)	**$173,137**	$134,643

(1) *Net of unearned income of $7.2 billion and $6.5 billion at December 31, 2003 and 2002, respectively.*

Finance receivables that originated outside the United States were $29.1 billion and $23.1 billion at December 31, 2003 and 2002, respectively. The aggregate amounts of total finance receivables maturing in each of the five years following December 31, 2003 is as follows: 2004 – $64.0 billion; 2005 – $25.6 billion; 2006 – $22.0 billion; 2007 – $15.0 billion; 2008 – $7.3 billion; and 2009 and thereafter – $49.1 billion. Actual maturities may differ from those scheduled due to prepayments.

Securitizations of Finance Receivables and Mortgage Loans

The Corporation securitizes automotive and mortgage financial assets as a funding source. GMAC sells retail finance receivables, wholesale loans, residential mortgage loans, commercial mortgage loans, and commercial investment securities.

The Corporation retains servicing responsibilities and subordinated interests for all of its securitizations of retail finance receivables and wholesale loans. Servicing responsibilities are retained for the majority of its residential and commercial mortgage loan securitizations and the Corporation may retain subordinated interests for some of these securitizations. GMAC also holds subordinated interests and acts as collateral manager in the securitizations of its commercial investment securities. As of December 31, 2003, the weighted average servicing fees for GM's primary servicing activities were 200 basis points, 100 basis points, 27 basis points, and 8 basis points of the outstanding principal balance for sold retail finance receivables, wholesale loans, residential mortgage loans, and commercial mortgage loans, respectively. Additionally, the Corporation receives the rights to cash flows remaining after the investors in the securitization trusts have received their contractual payments.

Note 8 Finance Receivables and Securitizations *(continued)*

The Corporation maintains cash reserve accounts at predetermined amounts for certain securitization activities in the unlikely event that deficiencies occur in cash flows owed to the investors. The amounts available in such cash reserve accounts are recorded in other assets and totaled $162 million, $1.2 billion, $6 million, $5 million, and $70 million as of December 31, 2003 related to securitizations of retail finance receivables, wholesale loans, residential mortgage loans, commercial mortgage loans, and commercial investment securities, respectively, and $280 million, $937 million, $21 million, $4 million, and $20 million as of December 31, 2002, respectively.

The following table summarizes pre-tax gains on securitizations and certain cash flows received from and paid to securitization trusts for sales of finance receivables and loans that were completed during 2003, 2002, and 2001:

Year ended December 31	**2003**				2002				2001			
			Mortgage loans				Mortgage loans				Mortgage loans	
(in millions)	**Retail finance receivables**	**Wholesale loans**	**Residential**	**Commercial**	Retail finance receivables	Wholesale loans	Residential	Commercial	Retail finance receivables	Wholesale loans	Residential	Commercial
Pre-tax gains on securitizations	**$ 37**	**$ –**	**$ 522**	**$ 75**	$ 239	$ –	$ 562	$ 30	$ 210	$ –	$ 966	$ 24
Cash flow information:												
Proceeds from new securitizations	**$1,604**	**$ 3,625**	**$29,566**	**$3,342**	$9,982	$ 2,327	$28,241	$1,848	$7,331	$ 7,055	$35,137	$2,934
Servicing fees received	**$ 228**	**$ 164**	**$ 250**	**$ 20**	$ 247	$ 146	$ 201	$ 17	$ 168	$ 124	$ 256	$ 16
Other cash flows received on retained interests	**$ 753**	**$ 174**	**$ 955**	**$ 317**	$1,361	$ 318	$ 1,044	$ 86	$1,282	$ 417	$ 844	$ 60
Purchases of delinquent or foreclosed assets	**$ (275)**	**$ –**	**$ (262)**	**$ (5)**	$ (299)	$ –	$ (504)	$ –	$ (240)	$ –	$ (34)	$ –
Pool buyback cash flows	**$ (885)**	**$ –**	**$ (1,953)**	**$ –**	$ (289)	$ (55)	$ (216)	$ –	$ (270)	$ –	$ (390)	$ –
Servicing advances	**$ (118)**	**$ –**	**$ (1,944)**	**$ (117)**	$ (117)	$ –	$ (1,582)	$ (122)	$ (88)	$ –	$ (1,861)	$ (95)
Repayments of servicing advances	**$ 114**	**$ –**	**$ 2,017**	**$ 116**	$ 117	$ –	$ 1,447	$ 116	$ 66	$ –	$ 1,817	$ 71
Proceeds from collections reinvested in revolving securitizations	**$ 862**	**$97,829**	**$ –**	**$ 5**	$ 482	$104,485	$ –	$ –	$ –	$81,563	$ 364	$ –

In addition to the information presented in the preceding table, pre-tax gains recognized on commercial investment securities were $14 million, $18 million, and $17 million for the years ended December 31, 2003, 2002, and 2001, respectively. Cash proceeds from new securitizations of commercial investment securities were $1.9 billion, $439 million, and $643 million for the years ended December 31, 2003, 2002, and 2001, respectively. In addition, cash flows received on retained interests of commercial investment securities aggregated $69 million, $37 million, and $16 million for the years ended December 31, 2003, 2002, and 2001, respectively.

Key economic assumptions used in measuring the estimated fair value of retained interests of sales completed during 2003 and 2002, as of the dates of such sales, were as follows:

	2003				2002			
		Mortgage loans				Mortgage loans		
Year ended December 31,	**Retail finance receivables**(a)	**Residential**(b)	**Commercial**	**Commercial investment securities**	Retail finance receivables(a)	Residential(b)	Commercial	Commercial investment securities
Key assumptions (rates per annum) (c):								
Annual prepayment rate (d)	**0.9%**	**3.1–59.9%**	**0.0–50.0%**	**0.0%**	0.8–1.3%	6.6–54.7%	0.0–50.0%	0.0–90.0%
Weighted average life (in years)	**1.6**	**1.7–5.9**	**1.4–6.2**	**2.5–25.1**	1.5–2.6	1.3–4.5	1.0–7.8	3.0–36.0
Expected credit losses	(e)	**0.0–7.3%**	**0.0–0.8%**	**0.0–1.6%**	(e)	0.0–24.8%	0.0–1.5%	0.0–0.9%
Discount rate	**9.5%**	**6.5–14.5%**	**2.6–10.8%**	**8.6–10.0%**	9.5–12.0%	6.5–13.5%	2.8–20.1%	3.6–12.7%

(a) *The fair value of retained interests in wholesale securitizations approximates cost because of the short-term and floating rate nature of wholesale loans.*

(b) *Included within residential mortgage loans are home equity loans and lines, high loan-to-value loans, and residential first and second mortgage loans.*

(c) *The assumptions used to measure the expected yield on variable rate retained interests are based on a benchmark interest rate yield curve, plus a contractual spread, as appropriate. The actual yield curve utilized varies depending on the specific retained interests.*

(d) *Based on the weighted average maturity (WAM) for finance receivables and constant prepayment rate (CPR) for mortgage loans and commercial investment securities.*

(e) *A reserve totaling $83 million and $127 million at December 31, 2003 and 2002, respectively, has been established for expected credit losses on finance receivables securitized in off-balance sheet transactions.*

Note 8 Finance Receivables and Securitizations *(concluded)*

The table below outlines the key economic assumptions and the sensitivity of the estimated fair value of retained interests at December 31, 2003 to immediate 10% and 20% adverse changes in those assumptions.

(Dollars in millions)	Retail finance receivables (a)	Mortgage loans Residential	Mortgage loans Commercial	Commercial investment securities
Carrying value/fair value of retained interests	$1,045 (b)	$1,171	$620	$318
Weighted average life (in years)	0.1–1.0	1.1–5.9	0.1–18.4	0.5–25.1
Annual prepayment rate	0.7–1.6% WAM	7.0–65.0% CPR	0.0–50.0% CPR	0.0–37.0% CPR
Impact of 10% adverse change	$–	$(69)	$(2)	$(2)
Impact of 20% adverse change	(1)	(132)	(3)	(3)
Loss assumption	(b)	0.0–26.1%	0.0–6.6%	0.9–33.7%
Impact of 10% adverse change	$(8)	$(123)	$(5)	$(10)
Impact of 20% adverse change	(17)	(252)	(10)	(19)
Discount rate	9.5–12.0%	6.5–14.5%	2.5–20.1%	3.6–13.2%
Impact of 10% adverse change	$(5)	$(31)	$(8)	$(18)
Impact of 20% adverse change	(10)	(61)	(16)	(34)
Market rate (d)	2.1–3.2%	(c)	(c)	(c)
Impact of 10% adverse change	$(6)	$(19)	$–	$–
Impact of 20% adverse change	(11)	(39)	–	–

(a) *The fair value of retained interests in wholesale securitizations approximates cost because of the short-term and floating rate nature of wholesale receivables.*
(b) *The fair value of retained interests in securitizations is net of a reserve for expected credit losses totaling $83 million at December 31, 2003.*
(c) *Forward benchmark interest rate yield curve plus contractual spread.*
(d) *Represents the rate of return paid to the investors.*

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which may magnify or counteract the sensitivities. Additionally, the Corporation hedges interest rate and prepayment risks associated with certain of the retained interests; the effects of such hedge strategies have not been considered herein.

Expected static pool net credit losses include actual incurred losses plus projected net credit losses divided by the original balance of the outstandings comprising the securitization pool.

The table below displays the expected static pool net credit losses based on securitizations completed each year:

	Loans securitized in (a)		
December 31,	**2003**	2002	2001
Retail automotive	**0.4%**	0.6%	0.7%
Residential mortgage	**0.0–26.0%**	0.0–24.8%	0.0–22.9%
Commercial mortgage	**0.0–6.6%**	0.0–4.1%	0.0–2.3%
Commercial investment securities	**0.9–33.7%**	0.3–36.8%	0.0–17.0%

(a) *Static pool losses not applicable to wholesale finance receivable securitizations because of their short-term nature.*

The following table presents components of securitized financial assets and other assets managed, along with quantitative information about delinquencies and net credit losses:

	Total finance receivables and loans		Amount 60 days or more past due		Net credit losses	
(In millions) December 31,	**2003**	2002	**2003**	2002	**2003**	2002
Retail automotive	**$ 99,196**	$ 93,848	**$ 749**	$ 637	**$1,179**	$ 844
Residential mortgage	**104,378**	93,955	**4,974**	3,973	**682**	644
Total consumer	**203,574**	187,803	**5,723**	4,610	**1,861**	1,488
Wholesale	**46,644**	38,722	**46**	88	**5**	(15)
Commercial mortgage	**22,621**	19,513	**652**	350	**66**	8
Other automotive and commercial	**17,364**	21,678	**167**	317	**194**	176
Total commercial	**86,629**	79,913	**865**	755	**265**	169
Total managed portfolio (a)	**290,203**	267,716	**$6,588**	$5,365	**$2,126**	$1,657
Securitized finance receivables and loans	**(94,622)**	(114,767)				
Loans held for sale (unpaid principal)	**(19,609)**	(15,756)				
Total finance receivables and loans	**$175,972**	$ 137,193				

(a) *Managed portfolio represents finance receivables and loans on the balance sheet or that have been securitized, excluding securitized finance receivables and loans that GMAC continues to service but has no other continuing involvement (i.e., in which GMAC retains an interest or risk of loss in the underlying receivables).*

Note 9 Inventories

Inventories included the following for Automotive and Other Operations (dollars in millions):

December 31,	**2003**	2002
Productive material, work in process, and supplies	**$ 4,899**	$ 4,803
Finished product, service parts, etc.	**7,642**	6,741
Total inventories at FIFO	**12,541**	11,544
Less LIFO allowance	**1,581**	1,807
Total inventories (less allowances)	**$10,960**	$ 9,737

Inventories are stated generally at cost, which is not in excess of market. The cost of approximately 92% of U.S. inventories is determined by the last-in, first-out (LIFO) method. Generally, the cost of all other inventories is determined by either the first-in, first-out (FIFO) or average cost methods.

During 2003, U.S. LIFO eligible inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 2003 purchases, the effect of which decreased cost of goods sold by approximately $200 million, pre-tax.

Note 10 Equipment on Operating Leases

The Corporation has significant investments in the residual values of its leasing portfolios. The residual values represent the estimate of the values of the assets at the end of the lease contracts and are initially recorded based on appraisals and estimates. Realization of the residual values is dependent on the Corporation's future ability to market the vehicles under then prevailing market conditions. Management reviews residual values periodically to determine that recorded amounts are appropriate.

Automotive and Other Operations

Equipment on operating leases and accumulated depreciation was as follows (dollars in millions):

December 31,	**2003**	2002
Equipment on operating leases	**$7,994**	$5,729
Less accumulated depreciation	**(821)**	(424)
Net book value	**$7,173**	$5,305

Financing and Insurance Operations

Equipment on operating leases and accumulated depreciation was as follows (dollars in millions):

December 31,	**2003**	2002
Equipment on operating leases	**$35,800**	$33,422
Less accumulated depreciation	**(8,590)**	(7,701)
Net book value	**$27,210**	$25,721
Total consolidated net book value	**$34,383**	$31,026

The lease payments to be received related to equipment on operating leases maturing in each of the five years following December 31, 2003, are as follows: Auto & Other – none, as the payment is received upfront and the income is deferred over the lease period; FIO – 2004 – $6.4 billion; 2005 – $4.3 billion; 2006 – $2.4 billion; 2007 – $711 million; and 2007 – $54 million. There are no leases maturing after 2008.

Note 11 Income Taxes

Income from continuing operations before income taxes and minority interests included the following (dollars in millions):

Years ended December 31,	**2003**	2002	2001
U.S. income (loss)	**$1,786**	$ 126	$ (329)
Foreign income	**1,195**	2,212	2,783
Total	**$2,981**	$2,338	$2,454

The provision for income taxes was estimated as follows (dollars in millions):

Years ended December 31,	**2003**	2002	2001
Income taxes estimated to be payable currently			
U.S. federal	**$ 123**	$ 48	$ 34
Foreign	**1,701**	1,394	1,292
U.S. state and local	**414**	325	45
Total payable currently	**2,238**	1,767	1,371
Deferred income tax expense (credit) – net			
U.S. federal	**239**	81	86
Foreign	**(1,712)**	(958)	(400)
U.S. state and local	**(34)**	(246)	37
Total deferred	**(1,507)**	(1,123)	(277)
Total income taxes	**$ 731**	$ 644	$1,094

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examination of prior year tax returns. Cash paid for income taxes in 2003, 2002, and 2001 was $1.7 billion, $2.2 billion, and $2.1 billion, respectively.

Provisions are made for estimated U.S. and foreign income taxes, less available tax credits and deductions, which may be incurred on the remittance of the Corporation's share of subsidiaries' undistributed earnings not deemed to be permanently reinvested. Taxes have not been provided on foreign subsidiaries' earnings, which are deemed permanently reinvested, of $11.6 billion at December 31, 2003, and $11.8 billion at December 31, 2002. Quantification of the deferred tax liability, if any, associated with permanently reinvested earnings is not practicable.

Note 11 Income Taxes *(concluded)*

A reconciliation of the provision for income taxes compared with the amounts at the U.S. federal statutory rate was as follows (dollars in millions):

Years ended December 31,	**2003**	2002	2001
Tax at U.S. federal statutory income tax rate	**$1,043**	$ 818	$ 859
State and local tax expense	**261**	91	56
Foreign rates other than 35%	**(31)**	16	131
Taxes on unremitted earnings of subsidiaries	**6**	(13)	29
Tax credits	**(52)**	(82)	(57)
Raytheon settlement (1)	**–**	–	180
Settlement of prior year tax matters	**(194)**	18	–
ESOP dividend deduction (2)	**(53)**	(85)	–
Stock contribution to pension plans (3)	**(87)**	–	–
Other adjustments	**(162)**	(119)	(104)
Total income tax	**$ 731**	$ 644	$1,094

(1) *Non-tax deductible settlement with the Raytheon Company on a purchase price adjustment related to Raytheon's 1997 merger with Hughes Defense.*
(2) *Deduction for dividends paid on GM $1-2/3 par value common stock held under the employee stock ownership portion of the GM Savings Plans, pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001.*
(3) *Additional tax benefit related to the GM Class H common stock contribution to the pension and VEBA plans.*

Deferred income tax assets and liabilities for 2003 and 2002 reflect the effect of temporary differences between amounts of assets, liabilities, and equity for financial reporting purposes and the bases of such assets, liabilities, and equity as measured by tax laws, as well as tax loss and tax credit carryforwards.

Temporary differences and carryforwards that gave rise to deferred tax assets and liabilities included the following (dollars in millions):

December 31,	**2003**		2002	
	Deferred Tax Assets	**Deferred Tax Liabilities**	Deferred Tax Assets	Deferred Tax Liabilities
Postretirement benefits other than pensions	**$15,280**	**$ –**	$14,945	$ –
Pension and other employee benefit plans	**4,060**	**12,521**	8,009	461
Warranties, dealer and customer allowances, claims, and discounts	**6,541**	**108**	6,047	–
Depreciation and amortization	**3,901**	**2,832**	2,386	2,967
Tax carryforwards	**3,313**	**–**	3,707	–
Lease transactions	**10**	**4,297**	–	4,732
Miscellaneous foreign	**6,363**	**2,602**	5,165	2,007
Other	**7,136**	**2,885**	8,277	3,942
Subtotal	**46,604**	**25,245**	48,536	14,109
Valuation allowances	**(1,677)**	**–**	(1,183)	–
Total deferred taxes	**$44,927**	**$25,245**	$47,353	$14,109
Net deferred tax assets	**$19,682**		$33,244	

Deferred tax detail above is included in the consolidated balance sheet and supplemental information as follows:

	2003	2002
Current deferred tax assets	**$ 9,104**	$ 8,336
Current deferred tax liabilities	**(5,671)**	(5,348)
Non-current deferred tax assets	**18,086**	31,431
Non-current deferred tax liabilities	**(1,837)**	(1,175)
Total	**$19,682**	$33,244

Of the tax carryforwards, approximately 17.2% relates to the alternative minimum tax credit (which can be carried forward indefinitely) and approximately 17.7% relates to the U.S. state net operating loss carryforwards, which will expire in the years 2004–2022 if not used. However, a substantial portion of the U.S. state net operating loss carryforwards will not expire until after the year 2006. The other tax credit carryforwards, consisting primarily of research and experimentation credits, will expire in the years 2019–2022 if not used. The valuation allowance principally relates to U.S. state and certain foreign operating loss carryforwards.

Note 12 Property – Net

Property – net was as follows (dollars in millions):

December 31,	Estimated Useful Lives (Years)	**2003**	2002
Automotive and Other Operations			
Land	–	**$ 1,004**	$ 913
Buildings and land improvements	2–40	**15,272**	13,912
Machinery and equipment	3–30	**44,851**	41,500
Construction in progress	–	**2,722**	2,757
Real estate, plants, and equipment		**63,849**	59,082
Less accumulated depreciation		**(37,535)**	(34,182)
Real estate, plants, and equipment – net		**26,314**	24,900
Special tools – net		**9,757**	9,235
Total property – net		**$36,071**	$34,135
Financing and Insurance Operations			
Equipment and other	2–10	**$ 3,160**	$ 2,329
Less accumulated depreciation		**(1,020)**	(508)
Total property – net		**$ 2,140**	$ 1,821
Total consolidated property – net		**$38,211**	$35,956

Depreciation and amortization expense was as follows (dollars in millions):

Years ended December 31,	**2003**	2002	2001
Automotive and Other Operations			
Depreciation	**$4,526**	$3,675	$3,533
Amortization of special tools	**3,391**	2,648	2,360
Amortization of intangible assets	**29**	1	14
Total	**$7,946**	$6,324	$5,907
Financing and Insurance Operations			
Depreciation	**$6,021**	$5,522	$5,684
Amortization of intangible assets	**11**	19	173
Total	**$6,032**	$5,541	$5,857

Note 13 Goodwill and Intangible Assets

The components of the Corporation's intangible assets as of December 31, 2003 and 2002 were as follows (dollars in millions):

December 31, 2003	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Automotive and Other Operations			
Amortizing intangible assets:			
Patents and intellectual property rights	**$303**	**$31**	**$ 272**
Non-amortizing intangible assets:			
Goodwill			**567**
Prepaid pension asset (Note 17)			**640**
Total goodwill and intangible assets			**$1,479**
Financing and Insurance Operations			
Amortizing intangible assets:			
Customer lists and contracts	**$ 65**	**$31**	**$ 34**
Trademarks and other	**40**	**16**	**24**
Covenants not to compete	**18**	**18**	**–**
Total	**$123**	**$65**	**$ 58**
Non-amortizing intangible assets:			
Goodwill			**3,223**
Total goodwill and intangible assets			**3,281**
Total consolidated goodwill and intangible assets			**$4,760**

December 31, 2002	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Automotive and Other Operations			
Amortizing intangible assets:			
Patents and intellectual property rights	$305	$28	$ 277
Non-amortizing intangible assets:			
Goodwill			477
Prepaid pension asset (Note 17)			6,699
Total goodwill and intangible assets			$ 7,453
Financing and Insurance Operations			
Amortizing intangible assets:			
Customer lists and contracts	$ 67	$24	$ 43
Trademarks and other	39	12	27
Covenants not to compete	18	18	–
Total	$124	$54	$ 70
Non-amortizing intangible assets:			
Goodwill			3,273
Total goodwill and intangible assets			3,343
Total consolidated goodwill and intangible assets			$10,796

Aggregate amortization expense on existing acquired intangible assets was $37 million for the year ended December 31, 2003. Estimated amortization expense in each of the next five years is as follows: 2004 – $38 million; 2005 – $38 million; 2006 – $37 million; 2007 – $37 million; and 2008 – $34 million.

The changes in the carrying amounts of goodwill for the year ended December 31, 2003 were as follows (dollars in millions):

	GMNA	GME	Total Auto & Other	GMAC	Total GM
Balance as of December 31, 2001	$ 29	$283	$312	$3,144	$3,456
Goodwill acquired during the period	118	–	118	96	214
Goodwill written off related to sale of business units	(8)	–	(8)	(9)	(17)
Effect of foreign currency translation	–	55	55	42	97
Balance as of December 31, 2002	$139	$338	$477	$3,273	$3,750
Goodwill acquired during the period	–	–	–	18	18
Goodwill written off related to sale of business units	(4)	–	(4)	–	(4)
Effect of foreign currency translation	6	75	81	51	132
Impairment/Other	13	–	13	(119) (1)	(106)
Balance as of December 31, 2003	**$154**	**$413**	**$567**	**$3,223**	**$3,790**

(1) *In September 2003, GMAC received $110 million related to a settlement of a claim involving the 1999 acquisition of the asset-based lending and factoring business of The Bank of New York. Of the settlement amount, $109 million was considered a purchase price adjustment, reducing the related goodwill; the remainder represented a reimbursement of tax claims paid on behalf of The Bank of New York.*

Note 14 Other Assets

Automotive and Other Operations

Other assets included the following (dollars in millions):

December 31,	**2003**	2002
Investments in equity securities	**$ 470**	$ 334
U.S. prepaid pension benefit cost (Note 17)	**39,904**	–
Other	**1,888**	1,127
Total other assets	**$42,262**	$1,461

Investments in equity securities at December 31, 2003 and 2002 includes the fair value of investments in equity securities classified as available-for-sale for all periods presented. It is GM's intent to hold these securities for longer than one year. Balances include historical costs of $114 million and $60 million with unrealized gains of $142 million and $75 million and unrealized losses of $6 million and $21 million at December 31, 2003 and 2002, respectively.

Also included in investments in equity securities is GM's investment in the common stock of Fiat Auto Holdings B.V. (FAH), the entity that is the sole shareholder of Fiat Auto S.p.A. (Fiat Auto), acquired for $2.4 billion in 2000. Subsequent to that acquisition,

Note 14 Other Assets *(concluded)*

unfavorable European market conditions and other factors led to deterioration in the performance of Fiat Auto. Accordingly, GM commenced a review of the appropriate carrying value of GM's investment in FAH, completed in the third quarter of 2002, which resulted in a non-cash charge of $2.2 billion ($1.4 billion after tax), recorded in cost of sales and other expenses in the Other segment of Auto & Other. This write-down brought the carrying value of GM's investment in FAH from $2.4 billion to $220 million. The carrying value is based on GM's interest in the estimated market value of FAH equity, which comprises FAH's ownership of Fiat Auto, including 50% ownership interests in the purchasing and powertrain joint ventures between GM and Fiat Auto. GM's investment in FAH was reduced from 20% to 10% when Fiat recapitalized FAH in 2003.

Financing and Insurance Operations

Other assets included the following (dollars in millions):

December 31,	**2003**	2002
Mortgage servicing rights	**$ 3,720**	$ 2,683
Premiums and other insurance receivables	**1,960**	1,742
Deferred policy acquisition costs	**1,038**	584
Derivative assets	**10,026**	7,185
Repossessed and foreclosed assets, net	**786**	418
Equity investments	**1,560**	587
Intangible assets (Note 13)	**3,281**	3,343
Property (Note 12)	**2,140**	1,821
Cash deposits held for securitization trusts	**1,922**	1,481
Restricted cash collections for securitization trusts	**2,291**	1,244
Accrued interest and rent receivable	**767**	673
Real estate investments	**788**	819
Debt issuance costs	**716**	508
Servicer advances	**946**	838
Other	**3,547**	4,260
Total other assets	**$35,488**	$28,186

Reclassification for Consolidated Balance Sheet Presentation

December 31,	**2003**	2002
Auto & Other – other assets, as detailed above	**$ 42,262**	$ 1,461
FIO – other assets, as detailed above	**35,488**	28,186
Subtotal	**77,750**	29,647
Prepaid assets and other	**1,747**	1,295
Accounts and notes receivable	**(15,152)**	(11,602)
Intangible assets (Note 13)	**(3,281)**	(3,343)
Property (Note 12)	**(2,140)**	(1,821)
Total consolidated other assets	**$ 58,924**	$ 14,176

Note 15 Accrued Expenses, Other Liabilities, and Deferred Income Taxes

Automotive and Other Operations

Accrued expenses, other liabilities, and deferred income taxes included the following (dollars in millions):

December 31,	**2003**	2002
Dealer and customer allowances, claims, and discounts	**$11,145**	$10,388
Deferred revenue, principally sales of vehicles to rental companies	**13,157**	10,311
Policy, product warranty, and recall campaigns	**8,674**	8,850
Payrolls and employee benefits (excludes postemployment)	**5,081**	4,283
Unpaid losses under self-insurance programs	**2,027**	1,990
Taxes	**3,437**	1,670
Interest	**932**	669
Postemployment benefits (including extended disability benefits)	**1,212**	1,251
Other	**8,492**	7,576
Total accrued expenses and other liabilities	**$54,157**	$46,988
Pensions	**72**	46
Postretirement benefits	**3,210**	3,142
Deferred income taxes	**3,545**	2,671
Total accrued expenses, other liabilities, and deferred income taxes	**$60,984**	$52,847
Current	**$45,417**	$39,113
Non-current	**15,567**	13,734
Total accrued expenses, other liabilities, and deferred income taxes	**$60,984**	$52,847

Policy, product warranty, and recall campaigns liability

December 31,	**2003**	2002
Beginning balance	**$ 8,850**	$ 8,171
Payments	**(4,435)**	(4,182)
Increase in liability (warranties issued during period)	**4,390**	4,418
Adjustments to liability (pre-existing warranties)	**(367)**	323
Effect of foreign currency translation	**236**	120
Ending balance	**$ 8,674**	$ 8,850

Financing and Insurance Operations

Other liabilities and deferred income taxes included the following (dollars in millions):

December 31,	**2003**	2002
Unpaid insurance losses, loss adjustment expenses, and unearned insurance premiums	**$ 6,568**	$ 5,637
Income taxes	**139**	1,659
Interest	**3,135**	2,741
Deposits	**5,074**	3,732
Interest rate derivatives	**1,121**	843
Other	**3,736**	3,744
Total other liabilities	**$19,773**	$18,356
Postretirement benefits	**797**	766
Deferred income taxes	**3,963**	3,852
Total other liabilities and deferred income taxes	**$24,533**	$22,974
Total consolidated accrued expenses and other liabilities	**$73,930**	$65,344
Total consolidated deferred income tax liability (Note 11)	**$ 7,508**	$ 6,523

Note 16 Long-Term Debt and Loans Payable

Automotive and Other Operations

Long-term debt and loans payable were as follows (dollars in millions):

	Weighted-Average Interest Rate		December 31,	
	2003	2002	**2003**	2002
Long-term debt and loans payable				
Payable within one year				
Current portion of long-term debt (1)	**1.4%**	3.8%	**$ 1,090**	$ 424
All other	**3.3%**	2.9%	**1,723**	1,570
Total loans payable			**2,813**	1,994
Payable beyond one year (1)	**6.8%**	6.0%	**29,632**	14,234
Unamortized discount			**(108)**	(21)
Mark to market adjustment (2)			**69**	48
Total long-term debt and loans payable			**$32,406**	$16,255

(1) *The weighted-average interest rates include the impact of interest rate swap agreements.*
(2) *Effective January 1, 2001, the Corporation began recording its hedged debt at fair market value on the balance sheet due to the implementation of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."*

Long-term debt payable beyond one year at December 31, 2003 included maturities as follows: 2005 – $575 million; 2006 – $541 million; 2007 – $198 million; 2008 – $1.6 billion; 2009 and after – $26.8 billion.

To protect against foreign exchange risk, GM has entered into cross-currency swap agreements. The notional amounts of such agreements as of December 31, 2003 for Auto & Other were approximately $2.4 billion. The notional amounts of such agreements as of December 31, 2002 for Auto & Other were approximately $238 million.

Amounts payable beyond one year after foreign currency swaps at December 31, 2003 included $2.3 billion in currencies other than the U.S. dollar, primarily the euro ($1.9 billion), the Brazilian real ($197 million), and the Australian dollar ($186 million).

At December 31, 2003 and 2002, long-term debt and loans payable for Auto & Other included $27.4 billion and $14.8 billion, respectively, of obligations with fixed interest rates and $5.0 billion and $1.5 billion, respectively, of obligations with variable interest rates (predominantly LIBOR), after interest rate swap agreements.

To achieve its desired balance between fixed and variable rate debt, GM has entered into interest rate swap and swaption agreements. The notional amount of pay variable swap agreements as of December 31, 2003 for Auto & Other was approximately $3.5 billion. There were no such swaption agreements as of December 31, 2003. The notional amount of such agreements as of December 31, 2002 for Auto & Other was approximately $745 million ($645 million pay variable swap agreements and $100 million relating to pay variable swaption agreements).

GM's Auto & Other business maintains substantial lines of credit with various banks that totaled $8.6 billion at December 31, 2003, of which $2.6 billion represented short-term credit facilities and $6.0 billion represented long-term credit facilities. At December 31, 2002, bank lines of credit totaled $8.5 billion, of which $2.6 billion represented short-term credit facilities and $5.9 billion represented long-term credit facilities. The unused short-term and long-term portions of the credit lines totaled $2.1 billion and $5.9 billion at December 31, 2003, compared with $1.8 billion and $5.8 billion at December 31, 2002. Certain bank lines of credit contain covenants with which the Corporation and applicable subsidiaries were in compliance throughout the year ended December 31, 2003.

Financing and Insurance Operations

Debt was as follows (dollars in millions):

	Weighted-Average Interest Rate		December 31,	
	2003	2002	**2003**	2002
Debt				
Payable within one year				
Current portion of long-term debt (1)	**3.1%**	3.5%	**$ 34,284**	$ 27,344
Commercial paper (1)	**2.1%**	2.5%	**13,182**	13,425
All other	**2.6%**	3.0%	**30,344**	22,063
Total loans payable			**77,810**	62,832
Payable beyond one year (1)	**5.0%**	5.1%	**160,108**	118,678
Unamortized discount			**(679)**	(717)
Mark to market adjustment (2)			**2,111**	3,120
Total debt			**$239,350**	$183,913
Total consolidated notes and loans payable			**$271,756**	$200,168

(1) *The weighted-average interest rates include the impact of interest rate swap agreements.*
(2) *Effective January 1, 2001, the Corporation began recording its hedged debt at fair market value on the balance sheet due to the implementation of SFAS No. 133.*

Debt payable beyond one year at December 31, 2003 included maturities as follows: 2005 – $33.6 billion; 2006 – $30.9 billion; 2007 – $11.9 billion; 2008 – $8.1 billion; 2009 and after – $75.6 billion.

Amounts payable beyond one year after consideration of foreign currency swaps at December 31, 2003 included $19.6 billion in currencies other than the U.S. dollar, primarily the Canadian dollar ($8.7 billion), the euro ($3.9 billion), the U.K. pound sterling ($3.8 billion), and the Australian dollar ($1.3 billion).

At December 31, 2003 and 2002, debt for FIO included $96.9 billion and $71.5 billion, respectively, of obligations with fixed interest rates and $142.5 billion and $112.4 billion, respectively, of obligations with variable interest rates (predominantly LIBOR), after considering the impact of interest rate swap agreements.

To achieve its desired balance between fixed and variable rate debt, GM has entered into interest rate swap, cap, and floor agreements. The notional amounts of such agreements as of December 31, 2003 for FIO were approximately $94.4 billion relating to swap agreements ($70.9 billion pay variable and $23.5 billion pay fixed). The notional amounts of such agreements as of December 31, 2002 for FIO were approximately $56.4 billion relating to swap agreements ($53.7 billion pay variable and $2.7 billion pay fixed).

GM's FIO business maintains substantial lines of credit with various banks that totaled $54.4 billion at December 31, 2003, of which $18.5 billion represented short-term credit facilities and $35.9 billion represented long-term credit facilities. At December 31, 2002, bank lines of credit totaled $53.0 billion, of which $17.8 billion represented short-term credit facilities and $35.2 billion represented long-term credit facilities. The unused short-term and long-term portions of the credit lines totaled $6 billion and $35.2 billion at December 31, 2003 compared with $7.4 billion and $34.7 billion at December 31, 2002. Certain bank lines of credit contain covenants with which the Corporation and applicable subsidiaries were in compliance throughout the year ended December 31, 2003.

Note 17 Pensions and Other Postretirement Benefits

GM sponsors a number of defined benefit pension plans covering substantially all U.S. and Canadian employees. Plans covering U.S. and Canadian represented employees generally provide benefits of negotiated, stated amounts for each year of service as well as significant supplemental benefits for employees who retire with 30 years of service before normal retirement age. The benefits provided by the plans covering U.S. and Canadian salaried employees and employees in certain foreign locations are generally based on years of service and compensation history. GM also has certain nonqualified pension plans covering executives that are based on targeted wage replacement percentages and are unfunded.

GM's funding policy with respect to its qualified pension plans is to contribute annually not less than the minimum required by applicable law and regulations. GM made pension contributions to the U.S. hourly and salaried pension plans of $18.5 billion in 2003, $4.8 billion in 2002, and no pension contributions in 2001. In addition, GM made pension contributions to all other U.S. plans of $117 million, $98 million, and $93 million in 2003, 2002, and 2001, respectively. GM does not have any contributions due in 2004 for its U.S. hourly and salaried pension plans to meet ERISA minimum funding requirements or to avoid paying variable rate premiums to the Pension Benefit Guaranty Corporation. It also does not anticipate any discretionary contributions to its U.S. hourly and salaried pension plans. GM expects to contribute approximately $120 million to its other U.S. pension plans during 2004.

Additionally, GM maintains hourly and salaried benefit plans that provide postretirement medical, dental, vision, and life insurance to most U.S. retirees and eligible dependents. The cost of such benefits is recognized in the consolidated financial statements during the period employees provide service to GM. Certain of the Corporation's non-U.S. subsidiaries have postretirement benefit plans, although most participants are covered by government-sponsored or administered programs. The cost of such programs generally is not significant to GM. GM has contributed $3.3 billion and $1.0 billion to its Voluntary Employees' Beneficiary Association (VEBA) trust for other postretirement employee benefit plans (OPEB) during 2003 and 2002, respectively, and made no contributions in 2001. GM has also contributed $5.0 billion to its VEBA trust in the first quarter of 2004. Contributions by participants to the other OPEB plans were $84 million and $55 million for the years ended December 31, 2003 and 2002, respectively.

GM uses a December 31 measurement date for the majority of its U.S. pension plans and a September 30 measurement date for U.S OPEB plans.

	U.S. Plans Pension Benefits		Non-U.S. Plans Pension Benefits		Other Benefits	
(Dollars in millions)	**2003**	2002	**2003**	2002	**2003**	2002
Change in benefit obligations						
Benefit obligation at beginning of year	**$79,617**	$ 75,927	**$12,129**	$ 9,950	**$ 57,195**	$ 52,461
Service cost	**919**	864	**228**	194	**537**	505
Interest cost	**5,162**	5,273	**803**	700	**3,798**	3,686
Plan participants' contributions	**22**	23	**23**	25	**84**	55
Amendments	**2,244**	83	**–**	31	**–**	–
Actuarial losses	**5,684**	3,652	**222**	1,040	**9,026**	3,796
Benefits paid	**(6,501)**	(6,420)	**(732)**	(641)	**(3,621)**	(3,389)
Exchange rate movements	**–**	–	**2,398**	776	**–**	–
Curtailments, settlements, and other	**138**	215	**17**	54	**523**	81
Benefit obligation at end of year	**87,285**	79,617	**15,088**	12,129	**67,542**	57,195
Change in plan assets						
Fair value of plan assets at beginning of year	**60,498**	66,906	**5,943**	6,340	**5,794**	4,944
Actual return on plan assets	**13,452**	(4,911)	**703**	(329)	**865**	(150)
Employer contributions	**18,621**	4,898	**442**	258	**3,339**	1,000
Plan participants' contributions	**22**	23	**23**	25	**–**	–
Benefits paid	**(6,501)**	(6,420)	**(732)**	(641)	**–**	–
Exchange rate movements	**–**	–	**1,181**	259	**–**	–
Curtailments, settlements, and other	**77**	3	**–**	31	**–**	–
Fair value of plan assets at end of year	**86,169**	60,499	**7,560**	5,943	**9,998**	5,794
Funded status (1)	**(1,116)**	(19,118)	**(7,528)**	(6,186)	**(57,544)**	(51,401)
Unrecognized actuarial loss	**32,997**	36,105	**4,401**	3,802	**21,821**	13,542
Unrecognized prior service cost	**7,087**	5,981	**694**	691	**(569)**	(293)
Unrecognized transition obligation	**–**	–	**43**	46	**–**	–
Net amount recognized	**$38,968**	$ 22,968	**$ (2,390)**	$ (1,647)	**$(36,292)**	$(38,152)
Amounts recognized in the consolidated balance sheets consist of:						
Prepaid benefit cost	**$39,904**	$ –	**$ 344**	$ 218	**$ –**	$ –
Accrued benefit liability	**(1,139)**	(17,163)	**(6,885)**	(5,525)	**(36,292)**	(38,152)
Intangible asset	**1**	6,009	**639**	690	**–**	–
Accumulated other comprehensive income	**202**	34,122	**3,512**	2,970	**–**	–
Net amount recognized	**$38,968**	$ 22,968	**$ (2,390)**	$ (1,647)	**$(36,292)**	$(38,152)

(1) *Includes overfunded status of the combined U.S. hourly and salaried pension plans of $0.3 billion as of December 31, 2003.*

Note 17 Pensions and Other Postretirement Benefits *(continued)*

The accumulated benefit obligation for all pension plans was $99 billion as of December 31, 2003 and $89 billion as of December 31, 2002. The accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $15 billion and $7 billion respectively as of December 31, 2003, and $89 billion and $66 billion respectively as of December 31, 2002. The projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets were $45 billion and $35 billion respectively as of December 31, 2003, and $91 billion and $66 billion respectively as of December 31, 2002.

	U.S. Plans Pension Benefits			Non-U.S. Plans Pension Benefits			Other Benefits		
(Dollars in millions)	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001
Components of expense									
Service cost	**$ 919**	$ 864	$ 885	**$ 228**	$ 194	$ 176	**$ 537**	$ 505	$ 480
Interest cost	**5,162**	5,273	5,261	**803**	700	638	**3,798**	3,686	3,731
Expected return on plan assets	**(6,374)**	(7,096)	(7,480)	**(573)**	(580)	(605)	**(444)**	(390)	(542)
Amortization of prior service cost	**1,148**	1,253	1,323	**101**	93	93	**(12)**	(14)	(45)
Amortization of transition obligation/(asset)	**–**	–	–	**11**	25	3	**–**	–	–
Recognized net actuarial loss/(gain)	**1,744**	730	82	**167**	62	(1)	**717**	321	96
Curtailments, settlements, and other	**27**	211	65	**49**	51	100	**3**	–	–
Net expense	**$ 2,626**	$ 1,235	$ 136	**$ 786**	$ 545	$ 404	**$4,599**	$4,108	$3,720
Weighted-average assumptions used to determine benefit obligations at December 31 (1)									
Discount rate	**6.00%**	6.75%	7.25%	**6.12%**	6.23%	6.81%	**6.25%**	6.75%	7.25%
Rate of compensation increase	**5.0%**	5.0%	5.0%	**3.4%**	3.4%	3.8%	**4.1%**	4.3%	4.7%
Weighted-average assumptions used to determine net expense for years ended December 31 (2)									
Discount rate	**6.75%**	7.25%	7.25%	**6.23%**	6.81%	7.06%	**6.75%**	7.25%	7.75%
Expected return on plan assets	**9.0%**	10.0%	10.0%	**8.5%**	8.8%	8.9%	**7.0%**	7.9%	8.1%
Rate of compensation increase	**5.0%**	5.0%	5.0%	**3.4%**	3.8%	4.0%	**4.3%**	4.7%	4.3%

(1) *Determined as of end of year.*
(2) *Determined as of beginning of year.*

GM sets the discount rate assumption annually for each of its retirement-related benefit plans at their respective measurement dates to reflect the yield of a portfolio of high quality fixed-income debt instruments matched against the timing and amounts of projected future benefits.

Assumed health care trend rates at December 31,	**2003**	2002
Initial health care cost trend rate	**8.5%**	7.2%
Ultimate health care cost trend rate	**5.0%**	5.0%
Number of years to ultimate trend rate	**6**	6

A one percentage point increase in the assumed health-care trend rate would have increased the Accumulated Postretirement Benefit Obligation (APBO) by $7.6 billion at December 31, 2003 and the aggregate service and interest cost components of non-pension postretirement benefit expense for 2003 by $539 million. A one percentage point decrease would have decreased the APBO by $6.4 billion and the aggregate service and interest cost components of non-pension postretirement benefit expense for 2003 by $444 million.

GM's expected return on assets assumption is derived from a detailed periodic study conducted by GM's actuaries and GM's asset management group. The study includes a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, risks (standard deviations) and correlations for each of the asset classes that comprise the funds' asset mix. While the study gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term, prospective rate.

Based on a study performed in 2002, GM revised its expected long-term return assumption for its U.S. plans effective January 1, 2003 to 9%, a reduction from its previous level of 10%. In anticipation of 2003 contributions, GM's asset management group in conjunction with GM's actuaries studied alternatives to lower asset return volatility of U.S. pension plans. As a result of the study, the GM U.S. pension plans have approved and commenced implementation of certain changes in the long-run strategic allocations of the pension funds in the second half of 2003. In setting the strategic mix, the ability of the selected mix to fund the pension plan liabilities effectively, meet the long-term asset return target of 9%, and align the selected mix with the risk tolerance of the plans' fiduciaries was taken into account.

Note 17 Pensions and Other Postretirement Benefits *(concluded)*

The current strategic mix for U.S. pension plans has reduced exposure to equity market risks and increased allocation to asset classes which are not highly correlated as well as asset classes where active management has historically generated excess returns and places greater emphasis on manager skills to produce excess return while employing various risk mitigation strategies to reduce volatility. When fully implemented, GM pension assets will have the following allocations: global equity: 41%–49%, global bonds: 32%–36%, real estate: 8%–12%, and alternatives: 9%–13%. Overall, the current strategic policy mix is expected to result in comparable but less volatile returns than GM's prior asset mix.

VEBA assets are managed with a short-term portion, which is intended to maintain adequate liquidity for benefit payments, and a long-term portion, which targets achieving long-term asset returns through following investment strategies similar to the U.S. pension plans. Based on the asset allocation to short-term and long-term portion, the blended expected return on assets assumption for the VEBA was 7.0% in 2003.

U.S. pension plans and OPEB plans have the following asset allocations, as of their respective measurement dates in 2002 and 2003:

	Plan Assets U.S. Pension Plans		Plan Assets OPEB	
	Actual Percentage of Plan Assets at December 31,		Actual Percentage of Plan Assets at September 30,	
Asset Category	**2003**	2002	**2003**	2002
Equity securities	**49%**	55%	**38%**	23%
Debt securities	**31%**	34%	**58%**	71%
Real estate	**8%**	10%	**1%**	2%
Other	**12%**	1%	**3%**	4%
Total	**100%**	100%	**100%**	100%

Equity securities include GM common stock in the amounts of $41 million (less than 1% of total pension plan assets) and $30 million (less than 1% of total pension plan assets) at December 31, 2003 and 2002, respectively.

On December 8, 2003, President Bush signed into law the Medicare Prescription Drug Improvement and Modernization Act of 2003. The Act introduces a prescription drug benefit beginning in 2006 under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health-care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Due to the levels of benefits provided under GM's U.S. health-care plans, management has concluded that GM's U.S. health-care plans are at least actuarially equivalent to Medicare Part D.

GM has elected not to defer accounting for the effects of the Act and has remeasured GM's postretirement benefit obligation as of December 8, 2003. The remeasurement will reduce GM's APBO by approximately 6% to $63.4 billion, increase plan assets by $0.4 billion, and decrease the unrecognized actuarial loss by $4.3 billion. The impact of this remeasurement will be amortized over the average working life of GM's employees eligible for postretirement benefits beginning January 1, 2004. Despite this favorable impact, GM expects 2004 OPEB expense to be consistent with 2003 expense due to changes in the discount rate and health-care trend rate.

In accordance with GAAP, the impact of the Act is not reflected in the table above. Specific authoritative guidance on the accounting for the Act is pending and guidance, when issued, could result in an adjustment to the accounting treatment described above.

Note 18 Commitments and Contingent Matters

Commitments

GM had the following minimum commitments under noncancelable capital leases having remaining terms in excess of one year, primarily for property (dollars in millions):

	2004	2005	2006	2007	2008	2009 and after
Minimum commitments	$ 119	$ 117	$ 116	$ 121	$ 366	$ 816
Sublease income	(14)	(14)	(14)	(14)	(14)	(167)
Net minimum commitments	$ 105	$ 103	$ 102	$ 107	$ 352	$ 649

GM had the following minimum commitments under noncancelable operating leases having remaining terms in excess of one year, primarily for property (dollars in millions):

	2004	2005	2006	2007	2008	2009 and after
Minimum commitments	$ 918	$ 850	$ 811	$ 778	$1,326	$4,628
Sublease income	(250)	(235)	(235)	(233)	(233)	(2,865)
Net minimum commitments	$ 668	$ 615	$ 576	$ 545	$1,093	$1,763

Certain of these minimum commitments fund the obligations of non-consolidated SPEs. Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were $926 million, $985 million, and $849 million in 2003, 2002, and 2001, respectively.

GM sponsors a credit card program, entitled the GM Card program, that offers rebates that can be applied primarily against the purchase or lease of GM vehicles. The amount of rebates available to qualified cardholders (net of deferred program income) was $4.1 billion, $4.0 billion, and $3.9 billion at December 31, 2003, 2002, and 2001, respectively.

GM has guarantees related to its performance under operating lease arrangements and the residual value of leased assets totaling $604 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.

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 December 31, 2003 approximately $51 million was recorded with respect to these guarantees, the maximum exposure under which is approximately $2.9 billion.

In connection with certain divestitures prior to January 1, 2003, GM has provided guarantees with respect to benefits for former GM employees relating to income protection, pensions, postretirement

Note 18 Commitments and Contingent Matters *(concluded)*

healthcare and life insurance. 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.

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 as the Corporation's obligations under them are not probable and estimable.

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.

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 December 31, 2003. 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.

Investment in Fiat Auto Holdings

At the April 23, 2003 Annual General Shareholders Meeting of FAH, FAH adopted a euro 5 billion recapitalization plan that provides shareholders the option to make pro-rata capital contributions over the 18 months following adoption of the plan. When the plan was adopted, Fiat S.p.A. (Fiat) held 80% of FAH and GM 20%. Fiat participated in the recapitalization by making a euro 3 billion contribution, which FAH used to repay inter-company debts owed to Fiat or its affiliates. Currently, GM does not plan to participate. Due to Fiat's participation in the recapitalization, and GM's non-participation, Fiat has reported that GM's interest in FAH has been reduced from 20% to 10%.

As discussed in GM's Annual Report on Form 10-K for the period ended December 31, 2002, the Master Agreement provides that, from January 24, 2004 to July 24, 2009, Fiat may seek to exercise a put option (the "Put") to require GM to purchase Fiat's FAH shares at their fair market value. Whether and when Fiat may seek to exercise the Put is unknown, although Fiat stated in its 2002 Annual Report on Form 20F, filed with the SEC, that it views the exercise of the Put only as a secondary possibility. Fiat also stated in its Form 20F that it believes that the Put is enforceable in accordance with the terms of the Master Agreement. GM has, however, asserted to Fiat that the sale of certain assets of the financing business of Fiat Auto and the recapitalization of FAH represent material breaches of the Master Agreement, with the result that the Master Agreement, including the Put, is terminable by GM. Notwithstanding these different views, GM is continuing to build on the cooperation the parties have worked on for the past several years in the joint ventures and other cooperative contractual arrangements they have entered into which are independent of the Master Agreement, and is pursuing a resolution of these different views. Towards that end, Fiat and GM entered into a standstill agreement on October 26, 2003, the provisions of which enable GM to defer until December 15, 2004, the necessity of electing the remedy of termination of the Master Agreement, and with it the Put, without such deferral prejudicing the right of GM to elect that remedy after December 15, 2004. On October 26, 2003, Fiat and GM also entered into an amendment to the Master Agreement that shifts the Put period by one year, so that it begins on January 24, 2005 and runs to July 24, 2010.

If the Put were implemented, the fair market value of FAH shares would be determined by the averaging of the three closest of four valuations that would be prepared by four investment banks after conducting due diligence under procedures set forth in the Master Agreement and based upon terms and conditions to be incorporated in a purchase agreement which, at this time, the parties have not prepared. Unless such a process and valuation is completed, the amount, if any, that GM might have to pay for Fiat's FAH shares if there were to be a valid exercise of the Put, is not quantifiable.

If there were a valid exercise of the Put, GM would have the option to pay for Fiat's FAH shares entirely in shares of GM $1-2/3 par value common stock, entirely in cash, or in whatever combination thereof GM may choose. Under such circumstances, if and to the extent GM chose to pay in cash, that portion of the purchase price could be paid to Fiat in four installments over a three-year period and GM would expect to fund any such payments from normal operating cash flows or financing activities.

If and when GM were to acquire Fiat's FAH shares, and thus become the sole owner of FAH, GM would decide what, if any, additional capitalization would then be appropriate for FAH and Fiat Auto. Specifically, if Fiat Auto were to need additional funding, GM would have to decide whether or not to provide such funding and under what conditions it might do so.

Unless FAH or Fiat Auto were subject to liquidation or insolvency, FAH's consolidated financial statements would be required for financial reporting purposes to be consolidated with those of GM. Any indebtedness, losses, and capital needs of FAH and Fiat Auto after their acquisition by GM are not presently determinable, but they could have a material adverse effect on GM if GM chooses to fund such needs or allow the consolidation of GM's financial statements with those of FAH and Fiat Auto.

GM has discussed with Fiat potential alternatives to the Master Agreement, and expects to have further discussions regarding the relationship between the parties.

Note 19 Stockholders' Equity

The following table presents changes in capital stock for the period from January 1, 2001 to December 31, 2003 (dollars in millions):

	Common Stocks		Total Capital Stock
	$1-2/3 Par Value	Class H	
Balance at January 1, 2001	$914	$ 88	$1,002
Shares issued	18	–	18
Balance at December 31, 2001	932	88	1,020
Shares issued	4	8	12
Balance at December 31, 2002	936	96	1,032
Shares issued	1	15	16
Hughes split-off	–	(111)	(111)
Balance at December 31, 2003	**$937**	**$ –**	**$ 937**

GM split off Hughes by distributing Hughes common stock to the holders of GM Class H common stock in exchange for all outstanding shares of GM Class H common stock. All shares of GM Class H common stock were then cancelled.

Preference Stock

On June 24, 2002, approximately 2.7 million shares of GM Series H 6.25% Automatically Convertible Preference Stock held by AOL Time Warner (AOL) mandatorily converted into approximately 80 million shares of GM Class H common stock as provided for pursuant to the terms of the preference stock. GM originally issued the shares of preference stock to AOL in 1999 in connection with AOL's $1.5 billion investment in, and its strategic alliance with, Hughes. The preference stock accrued quarterly dividends at a rate of 6.25% per year. No GM preference stock has been issued or outstanding since.

Common Stocks

The liquidation rights of the GM $1-2/3 par value common stock are subject to certain adjustments if outstanding common stock is subdivided, by stock split or otherwise.

Convertible Debentures

As of December 31, 2003, GM had $8.1 billion of convertible senior debentures outstanding, including $1.2 billion principal amount of 4.5% Series A convertible senior debentures (Series A) due 2032, $2.6 billion principal amount of 5.25% Series B convertible senior debentures (Series B) due 2032 and $4.3 billion principal amount of GM 6.25% Series C convertible senior debentures (Series C) due 2033. The securities are convertible into shares of GM's $1-2/3 par value common stock, at investors' option, under any of the following circumstances:

(1) The closing sale price of GM's $1-2/3 par value common stock exceeds 120% of the conversion price ($70.20 for Series A, $64.90 for Series B, and $47.62 for Series C, respectively) for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter; or

(2) During the five business day period after any nine consecutive trading day period in which the trading price of the debentures for each day of such period was less than 95% of the product of the closing sale price of GM's $1-2/3 par value common stock multiplied by the number of shares issuable upon conversion of $25.00 principal amount of the debentures; or

(3) The debentures have been called for redemption; or

(4) Upon the occurrence of specified corporate events.

The number of shares potentially convertible is 16,380,600 for Series A, 40,060,800 for Series B, and 90,300,000 for Series C. The contingently convertible shares are not included in diluted earnings per share as of December 31, 2003 as they have not met the requirements for conversion.

Other Comprehensive Income

The changes in the components of other comprehensive income (loss) are reported net of income taxes, as follows (dollars in millions):

Years ended December 31,	**2003**			2002			2001		
	Pre-tax Amount	**Tax Exp. (Credit)**	**Net Amount**	Pre-tax Amount	Tax Exp. (Credit)	Net Amount	Pre-tax Amount	Tax Exp. (Credit)	Net Amount
Foreign currency translation adjustments	**$ 1,642**	**$ 673**	**$ 969**	$ 67	$ (18)	$ 85	$ (504)	$ (148)	$ (356)
Unrealized (loss) gain on securities:									
Unrealized holding (loss) gain	**465**	**166**	**299**	(501)	(166)	(335)	162	56	106
Reclassification adjustment	**(84)**	**(31)**	**(53)**	611	220	391	(176)	(66)	(110)
Net unrealized (loss) gain	**381**	**135**	**246**	110	54	56	(14)	(10)	(4)
Minimum pension liability adjustment	**33,378**	**12,623**	**20,755**	(21,746)	(8,127)	(13,619)	(15,317)	(5,783)	(9,534)
Net unrealized gain (loss) on derivatives	**329**	**73**	**256**	151	49	102	(387)	(80)	(307)
Amounts attributable to Hughes	**–**	**–**	**–**	(300)	(139)	(161)	(172)	(44)	(128)
Other comprehensive (loss) income	**$35,730**	**$13,504**	**$22,226**	$(21,718)	$(8,181)	$(13,537)	$(16,394)	$(6,065)	$(10,329)

Note 20 Earnings Per Share Attributable to Common Stocks

Earnings per share (EPS) attributable to each class of GM common stock was determined based on the attribution of earnings to each such class of common stock for the period divided by the weighted-average number of common shares for each such class outstanding during the period. Diluted EPS attributable to each class of GM common stock considers the effect of potential common shares, unless the inclusion of the potential common shares would have an antidilutive effect. The attribution of earnings to each class of GM common stock was as follows (dollars in millions):

Years ended December 31,	**2003**	2002	2001
Earnings attributable to common stocks $1-2/3 par value			
Continuing operations	**$2,862**	$1,975	$1,220
Discontinued operations	**(48)**	(90)	(234)
Gain on sale of discontinued operations	**1,249**	–	–
Earnings attributable to $1-2/3 par value	**$4,063**	$1,885	$ 986
Earnings from discontinued operations attributable to Class H	**$ (241)**	$ (195)	$ (484)
Total earnings attributable to common stocks	**$3,822**	$1,690	$ 502

Earnings attributable to GM $1-2/3 par value common stock for each period represent the earnings attributable to all GM common stocks, reduced by the Available Separate Consolidated Net Income (ASCNI) of Hughes for the respective period.

In 2001 and prior years, losses attributable to GM Class H common stock represent the ASCNI of Hughes, reduced by the amount of dividends accrued on the Series A Preferred Stock of Hughes (as an equivalent measure of the effect that GM's payment of dividends on the GM Series H 6.25% Automatically Convertible Preference Stock would have if paid by Hughes).

The calculated losses used for computation of the ASCNI of Hughes are then multiplied by a fraction, the numerator of which is equal to the weighted-average number of shares of GM Class H common stock outstanding (1.1 billion as of December 22, 2003, 920 million as of December 31, 2002, and 876 million as of December 31, 2001) and the denominator of which is a number equal to the weighted-average number of shares of GM Class H common stock which if issued and outstanding would represent a 100% interest in the earnings of Hughes (the "Average Class H dividend base"). The Average Class H dividend base was 1.4 billion at December 22, 2003 and 1.3 billion as of December 31, 2002 and 2001.

A reconciliation of the amounts used in the basic and diluted earnings per share computations for income from continuing operations follows (dollars in millions except per share amounts):

	$1-2/3 Par Value Common Stock		
	Income	Shares	Per Share Amount
Year ended December 31, 2003			
Basic EPS			
Income from continuing operations attributable to common stocks	**$2,862**	**561**	**$5.10**
Effect of dilutive securities			
Assumed exercise of dilutive stock options	**–**	**8**	
Diluted EPS			
Adjusted income attributable to common stocks	**$2,862**	**569**	**$5.03**
Year ended December 31, 2002			
Basic EPS			
Income from continuing operations attributable to common stocks	$1,975	560	$3.53
Effect of dilutive securities			
Assumed exercise of dilutive stock options	–	2	
Diluted EPS			
Adjusted income attributable to common stocks	$1,975	562	$3.51
Year ended December 31, 2001			
Income from continuing operations	$1,222		
Less: Dividends on preference stocks	2		
Basic EPS			
Income from continuing operations attributable to common stocks	$1,220	551	$2.21
Effect of dilutive securities			
Assumed exercise of dilutive stock options	–	5	
Diluted EPS			
Adjusted income attributable to common stocks	$1,220	556	$2.20

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 176 million, 66 million, and 29 million as of December 31, 2003, 2002, and 2001, respectively.

Note 21 Derivative Financial Instruments and Risk Management

Effective January 1, 2001, GM adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted, which requires that all derivatives be recorded at fair value on the balance sheet and establishes criteria for designation and effectiveness of derivative transactions for which hedge accounting is applied. GM assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its documented policies. As a result of the adoption of this standard as of January 1, 2001, GM recorded a transition adjustment representing a one-time after-tax charge to income totaling $15 million, as well as an after-tax unrealized gain of $4 million to other comprehensive income.

GM is exposed to market risk from changes in foreign currency exchange rates, interest rates, and certain commodity and equity security prices. In the normal course of business, GM enters into a variety of foreign exchange, interest rate, and commodity forward contracts, swaps, and options, with the objective of minimizing exposure arising from these risks. A risk management control system is utilized to monitor foreign exchange, interest rate, commodity and equity price risks, and related hedge positions.

Cash Flow Hedges

GM uses financial instruments designated as cash flow hedges to hedge the Corporation's exposure to foreign currency exchange risk associated with buying, selling, and financing in currencies other than the local currencies in which it operates and to variability in cash flows related to floating rate debt, and its exposure to commodity price risk associated with changes in prices of commodities used in its automotive business, primarily nonferrous metals used in the manufacture of automotive components. For transactions denominated in foreign currencies, GM typically hedges forecasted and firm commitment exposure up to one year in the future. For commodities, GM hedges exposures up to six years in the future. For the year ended December 31, 2003, hedge ineffectiveness associated with instruments designated as cash flow hedges decreased cost of sales and other expenses by $50 million. For the year ended December 31, 2002, hedge ineffectiveness associated with instruments designated as cash flow hedges increased cost of sales and other expenses by $0.1 million; changes in time value of the instruments (which are excluded from the assessment of hedge effectiveness and exclude transition adjustment) increased cost of sales and other expenses by $30 million and $19 million, respectively. Derivative gains and losses included in other comprehensive income are reclassified into earnings at the time that the associated hedged transactions impact the income statement. For the year ended December 31, 2003, net derivative gains of $245 million were reclassified to cost of sales and other expenses. For the year ended December 31, 2002, net derivative losses of $65 million were likewise reclassified. These net losses/gains were offset by net gains/losses on the transactions being hedged. Approximately $91 million of net derivative gains included in other comprehensive income at December 31, 2003 will be reclassified into earnings within 12 months from that date.

Fair Value Hedges

GM uses financial instruments designated as fair value hedges to manage certain of the Corporation's exposure to interest rate risk. GM is subject to market risk from exposures to changes in interest rates due to its financing, investing, and cash management activities. A variety of instruments is used to hedge GM's exposure associated with its fixed rate debt and mortgage servicing rights (MSRs). For the year ended December 31, 2003, hedge ineffectiveness associated with instruments designated as fair value hedges, primarily due to hedging of MSRs, decreased selling, general, and administrative expenses by $390 million and increased selling, general, and administrative expenses by $458 million in 2002. Changes in time value of the instruments (which are excluded from the assessment of hedge effectiveness) decreased selling, general, and administrative expenses by $175 million in 2003 and $212 million in 2002.

Undesignated Derivative Instruments

Forward contracts and options not designated as hedging instruments under SFAS No. 133 are also used to hedge certain foreign currency, commodity, and interest rate exposures. Unrealized gains and losses on such instruments are recognized currently in earnings.

Note 22 Fair Value of Financial Instruments

The estimated fair value of financial instruments has been determined using available market information or other appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value; therefore, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions and/or estimation methodologies may be material to the estimated fair value amounts.

Note 22 Fair Value of Financial Instruments *(concluded)*

Book and estimated fair values of financial instruments, for which it is practicable to estimate fair value, were as follows (dollars in millions):

December 31,	**2003**		2002	
	Book Value	**Fair Value**	Book Value	Fair Value
Automotive and Other Operations				
Assets				
Other assets (1)	**$ 771**	**$ 500**	$ 496	$ 327
Derivative assets	**$ 1,234**	**$ 1,234**	$ 364	$ 364
Liabilities				
Long-term debt (2)	**$ 29,593**	**$ 31,859**	$ 14,261	$ 13,832
Other liabilities (1)	**$ 528**	**$ 571**	$ 531	$ 580
Derivative liabilities	**$ 356**	**$ 356**	$ 298	$ 298
Financing and Insurance Operations				
Assets				
Finance receivables – net (3)	**$172,423**	**$174,547**	$133,964	$135,890
Derivative assets	**$ 10,026**	**$ 10,026**	$ 7,185	$ 7,185
Liabilities				
Debt (2)	**$239,350**	**$244,642**	$183,913	$186,360
Derivative liabilities	**$ 1,196**	**$ 1,196**	$ 843	$ 843

(1) *Other assets include various financial instruments (e.g., long-term receivables and certain investments) that have fair values based on discounted cash flows, market quotations, and other appropriate valuation techniques. The fair values of retained subordinated interests in trusts and excess servicing assets (net of deferred costs) were derived by discounting expected cash flows using current market rates. Estimated values of Industrial Development Bonds, included in other liabilities, were based on quoted market prices for the same or similar issues.*

(2) *Long-term debt has an estimated fair value based on quoted market prices for the same or similar issues or based on the current rates offered to GM for debt of similar remaining maturities.*

(3) *The fair value was estimated by discounting the future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables.*

Due to their short-term nature, the book value approximates fair value for cash and marketable securities, accounts and notes receivable (less allowances), accounts payable (principally trade), Auto & Other loans payable, and FIO debt payable within one year for the periods ending December 31, 2003 and 2002.

Note 23 Stock Incentive Plans

GM's stock incentive plans consist of the General Motors 2002 Stock Incentive Plan, formerly the 1997 General Motors Amended Stock Incentive Plan (GMSIP), the General Motors 1998 Salaried Stock Option Plan (GMSSOP), the General Motors 1997 Performance Achievement Plan (GMPAP), and the General Motors 2002 Long Term Incentive Plan (GMLTIP). The GMSIP, the GMPAP, and the GMLTIP are administered by the Executive Compensation Committee of the GM Board. The GMSSOP is administered by the Vice President of Global Human Resources.

Under the GMSIP, 27.4 million shares of GM $1-2/3 par value common stock may be granted from June 1, 2002 through May 31, 2007, of which approximately 17.2 million were available for grants at December 31, 2003. Any shares granted and undelivered under the GMSIP, due primarily to expiration or termination, become again available for grant. Options granted prior to 1997 under the GMSIP generally are exercisable one-half after one year and one-half after two years from the dates of grant. Stock option grants awarded since 1997 vest ratably over three years from the date of grant. Option prices are 100% of fair market value on the dates of grant, and the options generally expire 10 years from the dates of grant, subject to earlier termination under certain conditions.

Under the GMSSOP, which commenced January 1, 1998 and ends December 31, 2007, the number of shares of GM $1-2/3 par value common stock that may be granted each year is determined by management. Approximately 3.6 million shares of GM $1-2/3 par value common stock were available for grants at December 31, 2003. Stock options vest one year following the date of grant and are exercisable two years from the date of grant. Option prices are 100% of fair market value on the dates of grant, and the options generally expire 10 years and two days from the dates of grant, subject to earlier termination under certain conditions.

The GMPAP and the GMLTIP consist of award opportunities granted to participants that are based on the achievement of specific corporate business criteria. The target number of shares of GM $1-2/3 par value common stock that may be granted each year is determined by management. These grants are subject to a two- or three-year performance period, and the final award payout may vary based on the achievement of those criteria. As of December 31, 2003, a total of 3.8 million shares had been granted as award opportunities under the GMPAP and the GMLTIP. This is the targeted number of shares that would finally be granted should all corporate business criteria be achieved.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (1)
Equity compensation plans approved by security holders:			
GMSIP	74,485,566	$54.38	17,194,942
Equity compensation plans not approved by security holders (2):			
GMSSOP	24,390,056	$55.33	3,626,225
Total	98,875,622	$54.61	20,821,167

(1) *Excludes securities reflected in the first column, "Number of securities to be issued upon exercise of outstanding options, warrants and rights."*

(2) *All equity compensation plans except the GMSSOP were approved by the shareholders. The GMSSOP was adopted by the Board of Directors in 1998 and expires December 31, 2007. The purpose of the plans is to recognize the importance and contribution of GM employees in the creation of stockholder value, to further align compensation with business success, and to provide employees with the opportunity for long-term capital accumulation through the grant of options to acquire shares of General Motors common stock.*

Note 23 Stock Incentive Plans *(concluded)*

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2003		2002		2001	
(dollars in millions)	**GMSIP**	**GMSSOP**	GMSIP	GMSSOP	GMSIP	GMSSOP
Interest rate	**2.9%**	**2.9%**	4.3%	4.3%	4.6%	4.6%
Expected life (years)	**5.0**	**5.0**	5.0	5.0	5.0	5.0
Expected volatility	**35.4%**	**35.4%**	34.6%	34.6%	31.2%	31.1%
Dividend yield	**5.0%**	**5.0%**	4.0%	4.0%	3.8%	3.8%

Changes in the status of outstanding options were as follows:

	GMSIP $1-2/3 Par Value Common		GMSSOP $1-2/3 Par Value Common	
	Shares under Option	Weighted-Average Exercise Price	Shares under Option	Weighted-Average Exercise Price
Options outstanding at January 1, 2001	43,125,106	$58.49	10,367,464	$67.30
Granted	13,141,725	$52.49	3,902,862	$52.35
Exercised	1,682,731	$39.66	37,655	$46.59
Terminated	1,641,974	$61.08	154,690	$66.27
Options outstanding at December 31, 2001	52,942,126	$57.52	14,077,981	$63.22
Granted	17,294,937	$50.53	5,015,553	$50.46
Exercised	2,729,511	$40.46	71,663	$46.59
Terminated	1,685,392	$55.28	64,672	$62.39
Options outstanding at December 31, 2002	65,822,160	$56.45	18,957,199	$59.91
Granted	11,148,605	$40.06	5,666,127	$40.05
Exercised	1,489,170	$42.28	–	–
Terminated	996,029	$55.06	233,270	$56.92
Options outstanding at December 31, 2003	**74,485,566**	**$54.38**	**24,390,056**	**$55.33**
Options exercisable at December 31, 2001	29,890,175	$53.93	6,148,695	$61.97
December 31, 2002	38,094,946	$58.18	10,098,994	$67.48
December 31, 2003	**48,932,216**	**$58.56**	**13,825,058**	**$63.29**

The following table summarizes information about GM's stock option plans at December 31, 2003:

Range of Exercise Prices	Options Outstanding	Weighted-Avg. Remaining Contractual Life (yrs.)	Weighted-Avg. Exercise Price	Options Exercisable	Weighted-Avg. Exercise Price
GMSIP $1-2/3 par value common					
$21.00 to $39.99	886,116	2.0	$33.51	804,179	$33.24
40.00 to 49.99	24,860,743	5.9	$42.80	13,971,139	$44.93
50.00 to 59.99	28,259,174	7.6	$51.42	13,696,365	$51.78
60.00 to 83.50	20,479,533	5.5	$73.40	20,460,533	$73.41
$21.00 to $83.50	74,485,566	6.4	$54.38	48,932,216	$58.56
GMSSOP $1-2/3 par value common					
$40.05	5,631,365	9.1	$40.05	–	$ –
46.59	2,264,335	4.0	$46.59	2,264,335	$46.59
50.46	4,933,633	8.0	$50.46	–	$ –
52.35	3,824,905	7.0	$52.35	3,824,905	$52.35
71.53	3,739,403	5.0	$71.53	3,739,403	$71.53
75.50	3,996,415	6.0	$75.50	3,996,415	$75.50
$40.05 to $75.50	24,390,056	6.9	$55.33	13,825,058	$63.29

Note 24 Other Income

Other income (included in total net sales and revenues) consisted of the following (dollars in millions):

Years ended December 31,	**2003**	2002	2001
Automotive and Other Operations			
Other income			
Interest income	**$ 1,389**	$ 905	$ 714
Rental car lease revenue	**1,460**	1,214	1,424
Claims, commissions, and grants	**916**	846	767
Gain on sale of GM Defense	**814**	–	–
Other	**400**	239	369
Total other income	**$ 4,979**	$ 3,204	$3,274
Financing and Insurance Operations			
Other income			
Interest income	**$ 684**	$ 2,951	$2,269
Insurance premiums	**2,544**	2,188	1,524
Mortgage banking income	**2,696**	2,064	1,862
Automotive securitization income	**1,057**	1,357	1,183
Other	**3,419**	3,034	2,840
Total other income	**$10,400**	$11,594	$9,678

Note 25 European Matters

During 2001, GM Europe announced its plan to turn around its business with the implementation of Project Olympia. The initial stages of Project Olympia sought to identify initiatives that could deliver:

- Solid and profitable business performance as of 2003
- A strengthened and optimized sales structure
- A revitalized Opel/Vauxhall brand
- Further market growth opportunities
- Continuous improvement by refocusing the organizational structure

The project identified several initiatives that aim to address the goals mentioned above. These initiatives include, among other things, reducing GME's manufacturing capacity, restructuring the dealer network in Germany, and redefining the way vehicles are marketed. These initiatives resulted in a decrease to GM's pre-tax earnings and were recorded in the GME region in the first quarter of 2002 as follows: (1) $298 million related to employee separation costs for approximately 4,000 employees; (2) $235 million related to asset write-downs; and (3) $108 million related to the dealer network restructuring in Germany. The net income impact of these charges in the first quarter of 2002 was $407 million, or $0.72 per diluted share of GM $1-2/3 par value common stock ($553 million included in cost of sales and other expenses; $88 million included in selling, general, and administrative expenses; and $(234) million included in income tax expense).

In 2003, GME recorded a $311 million pre-tax ($218 million after tax) charge to improve the competitiveness of GM's automotive operations in Europe. This charge was comprised of the following: $207 million related to employee separation costs for approximately 2,900 employees; and $104 million related to asset write-downs and other costs. These charges were recorded in cost of sales and other expenses.

Note 26 Segment Reporting

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," established standards for reporting information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. GM's chief operating decision maker is the Chief Executive Officer. The operating segments are managed separately because each operating segment represents a strategic business unit that offers different products and serves different markets.

GM's reportable operating segments within its Auto & Other business consist of General Motors Automotive (GMA) (which is comprised of four regions: GMNA, GME, GMLAAM, and GMAP), and Other. GMNA designs, manufactures, and/or markets vehicles primarily in North America under the following nameplates: Chevrolet, Pontiac, GMC, Oldsmobile, Buick, Cadillac, Saturn, and HUMMER. GME, GMLAAM, and GMAP primarily meet the demands of customers outside North America with vehicles designed, manufactured, and marketed under the following nameplates: Opel, Vauxhall, Holden, Saab, Buick, Chevrolet, GMC, and Cadillac. The Other segment includes the design, manufacturing, and marketing of locomotives, the elimination of intersegment transactions, certain non-segment specific revenues and expenditures, and certain corporate activities. GM's reportable operating segments within its FIO business consist of GMAC and Other. 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, commercial and vehicle insurance, and asset-based lending. The Financing and Insurance Operations' Other segment includes financing entities that are not consolidated with GMAC.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that the disaggregated financial results 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 purposes of assisting in making internal operating decisions. GM evaluates performance based on stand-alone operating segment net income and generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Note 26 Segment Reporting *(continued)*

(Dollars in millions)	GMNA	GME	GMLAAM
2003			
Manufactured products sales and revenues:			
External customers	**$114,756**	**$25,960**	**$4,755**
Intersegment	**(2,044)**	**946**	**555**
Total manufactured products	**112,712**	**26,906**	**5,310**
Financing revenue	**–**	**–**	**–**
Other income	**3,598**	**572**	**77**
Total net sales and revenues	**$116,310**	**$27,478**	**$5,387**
Depreciation and amortization	**$ 6,199**	**$ 1,211**	**$ 248**
Interest income (a)	**$ 1,445**	**$ 375**	**$ 36**
Interest expense	**$ 1,762**	**$ 343**	**$ 119**
Income tax expense (benefit)	**$ 171**	**$ (303)**	**$ (149)**
Earnings (losses) of nonconsolidated associates	**$ 113**	**$ 102**	**$ 7**
Net income (loss) from continuing operations	**$ 811**	**$ (504)**	**$ (331)**
Investments in nonconsolidated affiliates	**$ 462**	**$ 1,139**	**$ 431**
Segment assets	**$130,279**	**$23,835**	**$3,039**
Expenditures for property	**$ 4,650**	**$ 1,202**	**$ 110**
2002			
Manufactured products sales and revenues:			
External customers	$115,041	$22,409	$4,698
Intersegment	(2,038)	1,057	327
Total manufactured products	113,003	23,466	5,025
Financing revenue	–	–	–
Other income	2,806	446	85
Total net sales and revenues	$115,809	$23,912	$5,110
Depreciation and amortization	$ 4,853	$ 1,080	$ 178
Interest income (a)	$ 1,003	$ 316	$ 24
Interest expense	$ 738	$ 304	$ 145
Income tax expense (benefit)	$ 1,213	$ (436)	$ (76)
Earnings (losses) of nonconsolidated associates	$ 46	$ 76	$ (3)
Net income (loss) from continuing operations	$ 2,992	$ (1,011)	$ (181)
Investments in nonconsolidated affiliates	$ 534	$ 890	$ 397
Segment assets	$105,382	$20,344	$3,035
Expenditures for property	$ 4,448	$ 1,448	$ 200
2001			
Manufactured products sales and revenues:			
External customers	$107,087	$22,249	$5,615
Intersegment	(1,772)	820	200
Total manufactured products	105,315	23,069	5,815
Financing revenue	–	–	–
Other income	2,859	631	49
Total net sales and revenues	$108,174	$23,700	$5,864
Depreciation and amortization	$ 4,597	$ 994	$ 146
Interest income (a)	$ 831	$ 369	$ 27
Interest expense	$ 986	$ 349	$ 95
Income tax expense (benefit)	$ 468	$ (282)	$ (18)
(Losses) earnings of nonconsolidated associates	$ (37)	$ 41	$ (6)
Net income (loss) from continuing operations	$ 1,348	$ (765)	$ (81)
Investments in nonconsolidated affiliates	$ 665	$ 886	$ 614
Segment assets	$ 91,086	$18,552	$4,181
Expenditures for property	$ 5,914	$ 1,476	$ 125

(a) *Interest income is included in net sales and revenues from external customers.*
(b) *Includes assets of discontinued operations of $18,653 and $19,154 at December 31, 2002 and 2001, respectively.*

GMAP	GMA	Other	Auto & Other	GMAC	Other Financing	Total Financing
$4,578	**$150,049**	**$ 803**	**$150,852**	**$ –**	**$ –**	**$ –**
543	**–**	**–**	**–**	**–**	**–**	**–**
5,121	**150,049**	**803**	**150,852**	**–**	**–**	**–**
–	**–**	**–**	**–**	**18,663**	**630**	**19,293**
217	**4,464**	**515**	**4,979**	**10,962**	**(562)**	**10,400**
$5,338	**$154,513**	**$ 1,318**	**$155,831**	**$ 29,625**	**$ 68**	**$ 29,693**
$ 233	**$ 7,891**	**$ 55**	**$ 7,946**	**$ 5,744**	**$ 288**	**$ 6,032**
$ 4	**$ 1,860**	**$ (471)**	**$ 1,389**	**$ 937**	**$ (253)**	**$ 684**
$ 11	**$ 2,235**	**$ (455)**	**$ 1,780**	**$ 7,564**	**$ 120**	**$ 7,684**
$ 44	**$ (237)**	**$ (632)**	**$ (869)**	**$ 1,591**	**$ 9**	**$ 1,600**
$ 560	**$ 782**	**$ (48)**	**$ 734**	**$ (3)**	**$ (4)**	**$ (7)**
$ 577	**$ 553**	**$ (518)**	**$ 35**	**$ 2,793**	**$ 34**	**$ 2,827**
$3,944	**$ 5,976**	**$ 56**	**$ 6,032**	**$ 50**	**$ (50)**	**$ –**
$3,349	**$160,502**	**$ 1,283**	**$161,785**	**$288,163**	**$ 51**	**$288,214**
$ 576	**$ 6,538**	**$ 78**	**$ 6,616**	**$ 712**	**$ 2**	**$ 714**
$3,663	$145,811	$ 1,253	$147,064	$ –	$ –	$ –
654	–	(18)	(18)	–	–	–
4,317	145,811	1,235	147,046	–	–	–
–	–	–	–	14,758	726	15,484
207	3,544	(340)	3,204	12,083	(493)	11,590
$4,524	$149,355	$ 895	$150,250	$ 26,841	$ 233	$ 27,074
$ 143	$ 6,254	$ 70	$ 6,324	$ 5,136	$ 405	$ 5,541
$ 12	$ 1,355	$ (450)	$ 905	$ 3,221	$ (270)	$ 2,951
$ 8	$ 1,195	$ (716)	$ 479	$ 6,834	$ 190	$ 7,024
$ 55	$ 756	$(1,134)	$ (378)	$ 1,071	$ (49)	$ 1,022
$ 231	$ 350	$ 11	$ 361	$ (1)	$ (7)	$ (8)
$ 188	$ 1,988	$(1,895)	$ 93	$ 1,870	$ 12	$ 1,882
$3,233	$ 5,054	$ 43	$ 5,097	$ 237	$ (237)	$ –
$1,689	$130,450	$(7,129)	$141,974 [b]	$227,728	$ 440	$228,168
$ 263	$ 6,359	$ 55	$ 6,414	$ 451	$ 6	$ 457
$3,262	$138,213	$ 1,711	$139,924	$ –	$ –	$ –
752	–	(25)	(25)	–	–	–
4,014	138,213	1,686	139,899	–	–	–
–	–	–	–	15,189	1,011	16,200
187	3,726	(452)	3,274	10,392	(714)	9,678
$4,201	$141,939	$ 1,234	$143,173	$ 25,581	$ 297	$ 25,878
$ 117	$ 5,854	$ 53	$ 5,907	$ 5,305	$ 552	$ 5,857
$ 14	$ 1,241	$ (527)	$ 714	$ 2,696	$ (427)	$ 2,269
$ 8	$ 1,438	$ (866)	$ 572	$ 7,755	$ (10)	$ 7,745
$ 24	$ 192	$ (136)	$ 56	$ 1,047	$ (9)	$ 1,038
$ (61)	$ (63)	$ (5)	$ (68)	$ (5)	$ 3	$ (2)
$ (57)	$ 445	$ (991)	$ (546)	$ 1,786	$ (18)	$ 1,768
$2,700	$ 4,865	$ 30	$ 4,895	$ 1,062	$(1,062)	$ –
$ 896	$114,715	$(3,659)	$130,210 [b]	$192,855	$ 904	$193,759
$ 194	$ 7,709	$ 103	$ 7,812	$ 13	$ 7	$ 20

Note 26 Segment Reporting *(concluded)*

Information concerning principal geographic areas was as follows (dollars in millions):

	2003		2002		2001	
	Net Sales and Revenues	**Long-Lived Assets (1)**	Net Sales and Revenues	Long-Lived Assets (1)	Net Sales and Revenues	Long-Lived Assets (1)
North America						
United States	**$133,897**	**$47,594**	$129,781	$45,964	$124,543	$46,908
Canada and Mexico	**14,619**	**8,529**	15,023	6,897	11,712	6,087
Total North America	**148,516**	**56,123**	144,804	52,861	136,255	52,995
Europe						
France	**2,429**	**216**	2,078	183	1,825	130
Germany	**6,361**	**5,593**	5,824	4,605	5,901	4,165
Spain	**2,143**	**1,256**	1,744	1,076	1,771	738
United Kingdom	**6,474**	**2,275**	5,672	2,096	5,062	1,549
Other	**12,350**	**3,537**	10,565	2,953	10,602	2,500
Total Europe	**29,757**	**12,877**	25,883	10,913	25,161	9,082
Latin America						
Brazil	**2,319**	**584**	2,479	619	2,889	946
Other Latin America	**1,674**	**186**	2,265	185	2,285	278
Total Latin America	**3,993**	**770**	4,744	804	5,174	1,224
All other	**3,258**	**2,824**	1,893	2,404	2,461	3,529
Total	**$185,524**	**$72,594**	$177,324	$66,982	$169,051	$66,830

(1) *Consists of property (Note 12) and equipment on operating leases (Note 10), net of accumulated depreciation.*

Supplementary Information Selected Quarterly Data (Unaudited) (1)

(Dollars in millions, except per share amounts)	2003 Quarters 1st (2)	2nd	3rd	4th (3)
Total net sales and revenues	$47,146	$45,944	$43,351	$49,084
Income (losses) from continuing operations before income taxes, equity income and minority interests	$ 2,198	$ 931	$ 387	$ (536)
Income tax expense (benefit)	682	244	134	(329)
Minority interests	(20)	(11)	19	(103)
Earnings (losses) of nonconsolidated associates	41	203	176	308
Income from continuing operations	1,537	879	448	(2)
Income (loss) from discontinued operations	(54)	22	(23)	(164)
Gain from sale of discontinued operations	–	–	–	1,179
Net income	$ 1,483	$ 901	$ 425	$ 1,013
Earnings (losses) attributable to $1-2/3 par value				
Continuing operations	$ 1,537	$ 879	$ 448	$ (2)
Discontinued operations	(16)	5	(5)	1,218
Earnings attributable to $1-2/3 par value	$ 1,521	$ 884	$ 443	$ 1,216
Earnings (losses) from discontinued operations attributable to Class H	$ (38)	$ 17	$ (18)	$ (203)
Basic earnings (loss) per share attributable to common stocks				
$1-2/3 par value				
Continuing operations	$ 2.74	$ 1.57	$ 0.80	$ –
Discontinued operations	(0.03)	0.01	(0.01)	2.17
Earnings per share attributable to $1-2/3 par value	$ 2.71	$ 1.58	$ 0.79	$ 2.17
Earnings per share from discontinued operations attributable to Class H	$ (0.04)	$ 0.02	$ (0.02)	$ (0.18)
Average number of shares of common stocks outstanding – basic (in millions)				
$1-2/3 par value	561	561	561	561
Class H	990	1,108	1,108	1,109
Earnings (loss) per share attributable to common stocks assuming dilution				
$1-2/3 par value				
Continuing operations	$ 2.74	$ 1.57	$ 0.80	$ –
Discontinued operations	(0.03)	0.01	(0.01)	2.13
Earnings per share attributable to $1-2/3 par value	$ 2.71	$ 1.58	$ 0.79	$ 2.13
Earnings per share from discontinued operations attributable to Class H	$ (0.04)	$ 0.02	$ (0.02)	$ (0.18)
Average number of shares of common stocks outstanding – diluted (in millions)				
$1-2/3 par value	561	561	561	571
Class H	990	1,111	1,108	1,109

(1) *Previously reported quarters have been restated to reflect the results of Hughes as discontinued operations.*
(2) *First quarter 2003 results include a $505 million after-tax gain from the sale of GM's light armored vehicle business (GM Defense) to General Dynamics Corporation. Net proceeds were approximately $1.1 billion.*
(3) *Fourth quarter 2003 results include the following:*
- *A $725 million after-tax charge for lump-sum payments and vehicle discount vouchers for retirees as provided by the October 2003 contract with the United Auto Workers;*
- *A $103 million after-tax favorable adjustment related primarily to previously established reserves for idled workers at the Janesville, Wisconsin, plant; and*
- *A $218 million after-tax charge for an initiative implemented to improve competitiveness of GM's automotive operations in Europe.*

Supplementary Information Selected Quarterly Data (Unaudited) (4)

	2002 Quarters			
(Dollars in millions, except per share amounts)	1st (5)	2nd (6)	3rd (7)	4th
Total net sales and revenues	$44,210	$46,113	$41,417	$45,584
Income (losses) from continuing operations before income taxes, equity income and minority interests	$ 585	$ 2,011	$ (1,410)	$ 1,152
Income tax expense	217	656	(546)	317
Minority interests	(15)	(16)	(28)	(13)
Earnings (losses) of nonconsolidated associates	31	109	101	112
Income from continuing operations	384	1,448	(791)	934
Income (loss) from discontinued operations	(156)	(156)	(13)	86
Net income (loss)	228	1,292	(804)	1,020
Dividends on preference stocks	(24)	(23)	–	–
Earnings (losses) attributable to common stocks	$ 204	$ 1,269	$ (804)	$ 1,020
Earnings (losses) attributable to $1-2/3 par value				
Continuing operations	$ 384	$ 1,448	$ (791)	$ 934
Discontinued operations	(59)	(59)	(4)	27
Earnings (losses) attributable to $1-2/3 par value	$ 325	$ 1,389	$ (795)	$ 961
Earnings (losses) from discontinued operations attributable to Class H	$ (121)	$ (120)	$ (9)	$ 59
Basic earnings (loss) per share attributable to common stocks				
$1-2/3 par value				
Continuing operations	$ 0.69	$ 2.58	$ (1.41)	$ 1.67
Discontinued operations	(0.11)	(0.10)	(0.01)	0.04
Earnings per share attributable to $1-2/3 par value	$ 0.58	$ 2.48	$ (1.42)	$ 1.71
Earnings per share from discontinued operations attributable to Class H	$ (0.14)	$ (0.14)	$ (0.01)	$ 0.06
Average number of shares of common stocks outstanding – basic (in millions)				
$1-2/3 par value	559	560	560	560
Class H	878	884	958	958
Earnings (loss) per share attributable to common stocks assuming dilution				
$1-2/3 par value				
Continuing operations	$ 0.67	$ 2.53	$ (1.41)	$ 1.67
Discontinued operations	(0.10)	(0.10)	(0.01)	0.04
Earnings per share attributable to $1-2/3 par value	$ 0.57	$ 2.43	$ (1.42)	$ 1.71
Earnings per share from discontinued operations attributable to Class H	$ (0.14)	$ (0.14)	$ (0.01)	$ 0.06
Average number of shares of common stocks outstanding – diluted (in millions)				
$1-2/3 par value	570	572	560	561
Class H	878	884	958	959

(4) *Previously reported quarters have been restated to reflect the results of Hughes as discontinued operations.*

(5) *First quarter 2002 results include a $407 million after-tax restructuring charge related to severance payments and asset impairments at GME that were part of the restructuring of GM's automotive operations in Europe;*

(6) *Second quarter 2002 results include a $55 million after-tax charge at GME related to the European Union's directive requiring member states to enact legislation regarding end-of-life vehicles to be the responsibility of manufacturers for dismantling and recycling vehicles they have sold.*

(7) *Third quarter 2002 results include the following:*
- *a $1.4 billion after-tax charge related to the write-down of GM's investment in Fiat Auto Holdings, B.V. as a result of the completion of an impairment study of the carrying value of GM's investment; and*
- *a $116 million after-tax charge primarily related to GM's costs associated with the transfer of commercial truck production from Janesville, Wisconsin, to Flint, Michigan.*

Supplementary Information Selected Financial Data

(Dollars in millions, except per share amounts)	Years Ended December 31, 2003	2002	2001	2000	1999
Total net sales and revenues	**$185,524**	$177,324	$169,051	$173,943	$168,964
Income from continuing operations	**$ 2,862**	$ 1,975	$ 1,222	$ 3,639	$ 5,867
Income (loss) from discontinued operations	**(219)**	(239)	(621)	813	135
Gain from sale of discontinued operations	**1,179**	–	–	–	–
Net income (1)	**$ 3,822**	$ 1,736	$ 601	$ 4,452	$ 6,002
$1-2/3 par value common stock					
Basic earnings per share (EPS) from continuing operations	**$ 5.10**	$ 3.53	$ 2.21	$ 6.23	$ 9.08
Basic earnings (losses) per share from discontinued operations	**$ 2.14**	$ (0.16)	$ (0.42)	$ 0.59	$ 0.29
Diluted EPS from continuing operations	**$ 5.03**	$ 3.51	$ 2.20	$ 6.12	$ 8.91
Diluted earnings (losses) per share from discontinued operations	**$ 2.11**	$ (0.16)	$ (0.43)	$ 0.58	$ 0.28
Cash dividends declared per share	**$ 2.00**	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Class H common stock (2)					
Basic earnings (loss) per share from discontinued operations	**$ (0.22)**	$ (0.21)	$ (0.55)	$ 0.55	$ (0.27)
Diluted earnings (loss) per share from discontinued operations	**$ (0.22)**	$ (0.21)	$ (0.55)	$ 0.54	$ (0.27)
Cash dividends declared per share	**$ –**	$ –	$ –	$ –	$ –
Total assets	**$448,507**	$369,053	$322,412	$301,129	$273,729
Notes and loans payable	**$271,756**	$200,168	$165,361	$144,783	$129,547
GM-obligated mandatorily redeemable preferred securities of subsidiary trusts	**$ –**	$ –	$ –	$ 139	$ 218
Stockholders' equity	**$ 25,268**	$ 6,814	$ 19,707	$ 30,175	$ 20,644

Reference should be made to the notes to GM's consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

(1) *On January 1, 2002, the Corporation implemented Statement of Financial Accounting Standards (SFAS) No. 142 "Goodwill and Other Intangible Assets," which ceased the amortization method of accounting for goodwill and changed to an impairment-only approach. Accordingly, goodwill is no longer amortized and is tested for impairment at least annually.*

(2) *Adjusted to reflect the three-for-one stock split of the GM Class H common stock, in the form of a 200% stock dividend, paid on June 30, 2000.*

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Chief Executive Officer,
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George M.C. Fisher, Chair

[3] **Executive Compensation Committee**
John H. Bryan, Chair

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[5] **Public Policy Committee**
Percy N. Barnevik, Chair

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Walter G. Borst
Treasurer

Nancy E. Polis
Secretary

Paul W. Schmidt
Controller

Chester N. Watson
General Auditor

Roger D. Wheeler
Chief Tax Officer

1 Until June 1, 2004

2 Appointed Group Vice President and President, GM Asia Pacific, effective June 1, 2004

3 Appointed Group Vice President and President, GM Europe, effective June 1, 2004

4 Retires June 1, 2004

5 Effective May 1, 2004

General Information

Common Stock
GM common stock, $1-2/3 par value, is listed on the New York Stock Exchange and on other exchanges in the United States and around the world.

Ticker symbol: GM

Annual Meeting
The GM Annual Meeting of Stockholders will be held at 9 a.m. ET on Wednesday, June 2, 2004, in Wilmington, Delaware.

Stockholder Assistance
Stockholders requiring information about their accounts should contact:

EquiServe
General Motors Corporation
P.O. Box 43009
Providence, RI 02940-3009
800-331-9922

Stockholders outside the continental U.S. and Canada should call 781-575-3990.

Stockholders who are hearing or speech impaired and can access a telecommunications device for the deaf (TDD) should call 800-994-4755.

EquiServe representatives are available Monday through Friday from 9 a.m. to 5 p.m. ET. Information is always available via the touch-tone automated phone service (800-331-9922) or through the EquiServe Web site at *www.equiserve.com.*

For other information, stockholders may contact:

GM Stockholder Services
General Motors Corporation
Mail Code 482-C38-B71
300 Renaissance Center
P.O. Box 300
Detroit, MI 48265-3000
313-667-1500
investor.gm.com

Dividend and Cash Investment Plan
If you are a registered owner of at least one share of GM common stock, you may elect to automatically reinvest all or part of your dividends in additional shares of GM common stock. Contact EquiServe at 800-331-9922 for a prospectus and enrollment information. The prospectus may be viewed online at *investor.gm.com.*

Electronic Delivery of Annual Meeting Materials
Stockholders may consent to receive their GM annual report and proxy materials via the Internet. Registered stockholders and employee savings plan participants may enroll at *www.econsent.com/gm.* Beneficial stockholders, who hold their GM stock through a broker or bank, may sign up at *www.icsdelivery.com/gm* if their broker or bank participates in electronic delivery.

Securities and Institutional Analyst Queries
GM Investor Relations
General Motors Corporation
Mail Code 482-C34-D71
300 Renaissance Center
P.O. Box 300
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313-667-1669

Available Publications
Annual Report
Proxy Statement
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Select publications are available electronically or print copies may be requested at "Request Information" on *investor.gm.com.*

To request publications by mail or phone, contact:

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Information on GM's corporate responsibility performance can be found online in the GM 2002-2003 Corporate Responsibility & Sustainability Report, located at *www.gmability.com.*

Stockholder Communications
Stockholder News will be included with the dividend mailings in the months of March and September.

Visit GM on the Internet
Explore the world of General Motors products and services on our corporate Web site, *www.gm.com.* Surf our home page to learn about "The Company," our "Automotive" brands, and products and services that go "Beyond Automotive." From the home page, you can access our many brand Web sites to discover the GM product or service that's right for you.

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Participants in the Savings-Stock Purchase Program or Personal Savings Plan should contact the GM Investment Service Center at 800-489-4646.

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Principal Office
General Motors Corporation
300 Renaissance Center
P.O. Box 300
Detroit, MI 48265-3000
313-556-5000

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Renaissance Center
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Detroit, MI 48265-3000
www.gm.com

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