

Hands on the  
**wheel.**

Eyes on the  
**road.**





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**We're on the right road.**

Our cars and trucks are getting better all the time. Our quality is now back among the best in the industry. We're stronger and more globally integrated than ever.

**But it's not enough.** The world is not standing still while we improve.

We have to be faster. Bolder. Better. With our hands firmly guiding the wheel and eyes focused confidently on the road ahead, that's what we're determined to do.



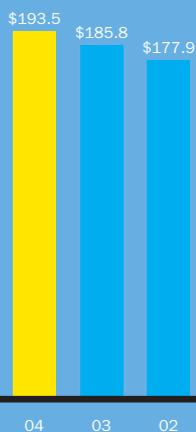
## Financial Highlights

(Dollars in millions, except per share amounts) Years ended December 31,

	2004	2003	2002
<b>Total net sales and revenues</b>	<b>\$193,517</b>	\$185,837	\$177,867
<b>Worldwide wholesale sales (units in thousands)</b>	<b>8,241</b>	8,098	8,411
<b>Income from continuing operations</b>	<b>\$ 2,805</b>	\$ 2,862	\$ 1,975
<b>(Loss) from discontinued operations</b>	<b>—</b>	\$ (219)	\$ (239)
<b>Gain on sale of discontinued operations</b>	<b>—</b>	\$ 1,179	—
<b>Net income</b>	<b>\$ 2,805</b>	\$ 3,822	\$ 1,736
<b>Net profit margin from continuing operations</b>	<b>1.4%</b>	1.5%	1.1%
<b>Diluted earnings per share attributable to \$1-2/3 par value common stock</b>			
Continuing operations	\$ 4.95	\$ 5.03	\$ 3.51
Net income	\$ 4.95	\$ 7.14	\$ 3.35
<b>Income adjusted to exclude Hughes Electronics and special items<sup>(1)</sup></b>			
Income	\$ 3,630	\$ 3,197	\$ 3,924
Diluted earnings per share attributable to \$1-2/3 par value common stock	\$ 6.40	\$ 5.62	\$ 6.98
<b>Book value per share of \$1-2/3 par value common stock</b>	<b>\$ 49.06</b>	\$ 44.96	\$ 9.06
<b>Number of \$1-2/3 par value common stock shares outstanding as of December 31 (in millions)</b>	<b>565</b>	562	560

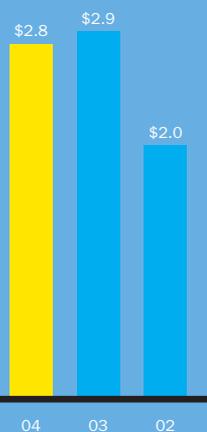
(1) A reconciliation of adjusted amounts to amounts determined in accordance with accounting principles generally accepted in the United States may be found at [www.gm.com/company/investor information/](http://www.gm.com/company/investor information/), Earnings Releases, Financial Highlights.

**Net Sales and Revenues**  
billions



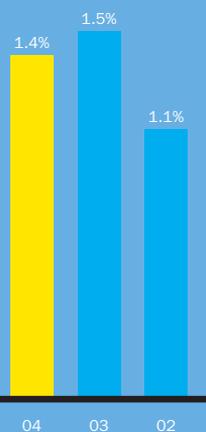
Net sales and revenues were \$193.5 billion, up 4.1%.

**Income from Continuing Operations**  
billions



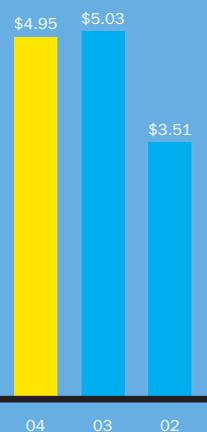
Income from continuing operations was \$2.8 billion, down \$0.1 billion.

**Net Profit Margin from Continuing Operations**  
percent



Net profit margin from continuing operations was 1.4%, down from 1.5%.

**Earnings per Share from Continuing Operations**  
dollars



Earnings per share from continuing operations decreased to \$4.95 from \$5.03.

Dear Stockholders:

## The cover of this 2004 General Motors Annual Report says, “Hands on the wheel. Eyes on the road.” What exactly does that mean to GM?

It means we're driving ahead with confidence...and we are well aware of the obstacles in our path. We are staying focused on designing and building the best-engineered, best-looking, highest-value cars and trucks that provide millions of people around the world the freedom of mobility.

As I concluded in last year's letter to you, becoming the best is an unending journey, a constantly changing destination. We've come a long way on that trip.

GM has methodically and completely overhauled its operations since its financial crisis in 1992. Better productivity. Better technology. Better quality. Most important, better cars and trucks.

Today we're a far leaner, faster, more competitive and globally integrated company, well-positioned for continued growth. While much better, we still have much work to do to become the best.

The bumps along the road ahead are numerous and jarring: global overcapacity... falling prices... rapidly escalating health-care costs... unstable fuel prices... increasing competition every year. In addition, as GM has improved, so have our competitors.

But despite these challenges, we continue to see a future with growth opportunities that make this journey well worth the effort.

### Mixed Results in 2004

In 2004, GM earned net income of \$3.6 billion excluding special items, or reported net income of \$2.8 billion, on record revenues of approximately \$193 billion. Solid figures, considering the tough competitive conditions in most of our markets around the globe. But overall, it was a year in which we did not take the step forward we were aiming for.

There were some noteworthy successes. GMAC reported annual earnings growth for the 10th consecutive year, and a

record for the sixth year in a row, with a profit of \$2.9 billion. GMAC also continued to restructure its balance sheet and diversify its funding sources, significantly reducing its risk to adverse credit rating developments.

Our global automotive operations had their second highest sales volume in GM's history, with market share gains in three of our four regions around the world.

GM's Latin America, Africa and Middle East region saw a return to profitability and increased its market share to 17.4 percent. In Brazil, GM captured the No. 1 position for the first time in its 79 years of operations there. Volume also was strong in the Middle East, where sales were up 58 percent from a year earlier.

GM Asia Pacific continued to deliver very impressive results, despite a second-half slowdown in China. For the year, GM China's sales increased 27 percent to nearly 500,000 vehicles, and market share again grew. And GM Daewoo continues to expand its role in the GM family, with production expected to grow to more than 1 million vehicles in 2005 as we leverage its considerable engineering and manufacturing capabilities.

Elsewhere in 2004, we took significant steps to address some tough challenges.

GM Europe's losses grew as competition intensified and pricing deteriorated further. In order to address our high-cost position, we reached an important agreement in December with our European labor unions on a major restructuring plan that will help GME significantly improve our cost-competitiveness. On the revenue side of the business, the news at GME was more encouraging as the successful launch of the all-new Opel/Vauxhall Astra series helped increase GME's market share to 9.5 percent, its highest level in five years.

In addition, our multi-brand strategy continues to gain speed with the expansion of the Chevrolet and Cadillac brands, which should add to GME's share growth this year. We also plan to build on last year's product success with the introduction this year of the Saab 9-3 SportCombi, the all-new Opel/Vauxhall Zafira, the Astra 3-door and the Chevrolet Matiz.

This February, GM and Fiat Auto S.p.A. announced the termination of our joint venture and equity relationship, which began in 2000 in an initiative to reduce our cost structure in Europe by combining our purchasing and powertrain manufacturing activities, and collaborating on future models. The savings from these joint activities over the past five years and GME's access to Fiat diesel engines addressed very critical needs. But as competitive circumstances changed for each company, and after several management changes at Fiat, both companies decided that the joint venture and equity relationship were no longer appropriate.

While the dissolution of the agreement resulted in a charge to earnings, the resolution enables ongoing cost savings and excellent diesel engine capability and availability for GME, thus resulting in an overall positive net return to GM on this relationship.

In North America, our largest market, automotive profitability was disappointing, reflecting continuing pricing pressures due to challenging competitive conditions and ever-rising health-care costs (see related item on page 7).

On the positive side, we continued to make progress in the key areas of productivity and quality, and several important sales milestones were reached in the key U.S. market:

- GM set the industry records for total truck sales and SUV sales, and once again sold more full-size pickups than any other manufacturer.
- Chevrolet sold more cars than any other make, passing Toyota, and had its best overall sales year since 1988.
- GMC set a sales record of 602,064 trucks, the 11th time in the past 12 years that it has broken its previous sales record.
- Cadillac continued its strong performance, with the hit CTS sedan posting its best sales yet in its third year of production, and the new STS debuting to widespread critical acclaim that ranked it among the best sedans in the world.

### Looking Back, Looking Forward

As we move forward, it's useful to pause and look back down the road we've traveled.

When my predecessor, Jack Smith, took over in 1992, he instilled a business philosophy that still guides us today and is embodied in our cultural priorities: product excellence and customer focus, act as one company, embrace stretch targets, and move with a sense of urgency. After more than a decade of driving our business with this philosophy, GM today operates far differently.

For example, in 1992, we had 27 different purchasing organizations just in North America. Today we have one global organization using a common, globally based sourcing process. Given GM's size and global footprint, this move continues to represent a competitive advantage.

Another area where GM has undergone radical change more recently is in product development, engineering and planning. We have gone from a highly decentralized structure, with 11 different engineering centers in the United States alone, to a single U.S. engineering organization, and this year to one globally integrated product development organization. The institution of common business processes and computer systems, and the ability to fully utilize our global design and engineering talents, will mean more new cars and trucks, shorter lifecycles, lower costs and higher quality. We see many opportunities here going forward.

We also see plenty of opportunity ahead in continued productivity improvement. According to the Harbour Report for North America, GM has had the highest annual productivity improvement among all automakers over the past six years. This is the direct result of applying a common manufacturing system around the world, and leveraging our global manufacturing engineering organization, which will provide us with more flexibility and savings down the road.

Our improvement in quality in the United States, as measured by J.D. Power and Associates, is well-documented. What is less known is that we have had similar improvements in our Europe, Asia Pacific and Latin America, Africa and Middle East regions as well.

GM also has aggressively taken advantage of the many growth opportunities in the highest-potential markets around the



**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

world. China is the headliner here, but we're also growing in important markets such as India, South Korea and Russia – a trend that will continue in the years ahead.

And our renewed focus on designing and building the most compelling and highest-value portfolio of cars and trucks is paying dividends in the ever-stronger reviews our new vehicles are getting in the news media. We're expanding the number of derivatives of our vehicle architectures, doing more brand-building, high-performance cars and trucks such as Cadillac's highly regarded "V series," Opel's "OPC" line and Chevrolet's legendary "SS" models.

We're also getting more creative in our marketing, with a greater focus on convincing consumers of the great value inherent in our cars and trucks.

### Only GM

For example, we recently launched a new corporate advertising campaign under the theme, "Only GM." It's part of an effort to use the GM brand more aggressively and with more purpose, to show that we're leading the industry in ways that only GM can.

The "Only GM" campaign began by highlighting our plans to equip all our cars and trucks sold to retail customers in the United States and Canada with OnStar and StabiliTrak, GM's electronic stability control system. We want to bring this kind of safety, security and peace-of-mind to all of our customers because it's the right thing to do, and because only GM can do it. We also want potential customers to know that GM offers them great value, and that buying GM matters. (For more details, go to [onlygm.com](http://onlygm.com).)

One very important way in which it matters is GM's continued commitment to develop more environmentally friendly propulsion systems for our cars and trucks. At this year's North American International Auto Show, we introduced our latest prototype, the GM Sequel, to show the progress we are making toward our goal of producing affordable fuel-cell powered cars and trucks. That remains a longer-term project.

For the nearer term, GM and DaimlerChrysler AG recently joined forces to leverage our patented two-mode full-hybrid system for a range of cars and trucks around the world. This joint development initiative promises to make fuel-efficient full hybrids more affordable by spreading the cost over a larger volume.

But GM also is making a difference in cleaning up the environment here and now. Since 2000, we have reduced our facilities' energy use by 9 percent globally, and their total waste by 11 percent. GM also is on course to meet its target of reducing global CO<sub>2</sub> from its facilities by 8 percent from 2000 through 2005.

GM has more fuel-efficient cars and trucks across more vehicle segments in the United States than any other automaker, foreign or domestic. GM offers 19 different models in the U.S. market that get 30 miles per gallon or more. No other manufacturer can make that claim. Only GM.

Around the world, our 324,000 employees make a difference every day in their communities, helping others through GM Volunteer Plus International and GM GlobalAid. Through these organizations, we responded last year to the tsunami in Southeast Asia and Africa, and the hurricanes in the southeastern United States.

### Picking Up the Pace

GM is unlike any other automaker, unique in its history, size and capabilities. We've been the global automotive sales leader since 1931, but we know we have to work hard to earn the right to maintain that leadership. We're doing that day after day.

Our challenges on the road ahead are many. To address them, we are picking up the pace by combining and fully leveraging GM's resources on a truly global basis... for the first time in our nearly 100 years of history.

We've set the stage for that move with a track record of steady improvement in our operating capability around the world.

This is a journey rife with opportunities. We're driving hard to take advantage of them to reach our goal of becoming the best automaker in the world.



Rick Wagoner  
Chairman and Chief Executive Officer  
Detroit, Michigan

## The challenge of health care.

The sustained, rapid increases in the cost of health care in the United States have had a tremendous impact on GM's profitability, as they have for many other companies. This is a major competitive issue for all of American business – especially manufacturers – in an increasingly global economy.

Consider these numbers:

- Health-care costs in the United States have increased sharply every year since 1991, often at double-digit rates. In 2003, they were about 15 percent of gross domestic product, at least 30 percent higher than in the next-most-expensive country.
- Many employers cite rising health-care costs as their biggest problem, and that's true for state governments as well.
- GM spent \$5.2 billion on health care in 2004 for our 1.1 million employees, retirees and dependents throughout the United States. Those costs amounted to about \$1,500 for each vehicle we manufactured in the United States last year.
- Our foreign-domiciled competitors have just a fraction of these costs, because they have few, if any, U.S. retirees. In their home countries, their governments cover a much greater portion of employee and retiree health-care costs.
- Unfortunately, America's high health-care costs don't buy the best care. In fact, according to the Organization for Economic Cooperation and Development, the United States ranks 12th out of 13 industrialized nations in 16 top health indicators, things like infant mortality and life expectancy.

The impact of the health-care burden is particularly frustrating for GM, because over the past decade, we have made huge improvements in our operational competitiveness.

GM also has worked aggressively for years to lower our costs on many fronts, with our health-care providers and with employees on prevention and wellness activities. We've worked with providers to help them eliminate waste and errors in their processes, much as we have done in our assembly plants. But we have reached a point of diminishing returns.

This is a crisis, and it can be resolved only if all of those involved – business, the health-care industry, government and consumers – work together toward finding solutions. There is no silver bullet.

Where to start? First, as a nation, the United States needs to bring all of its capabilities in quality, productivity and information technology to the health-care industry.

For example, GM, Ford Motor Co., DaimlerChrysler AG and the United Auto Workers announced earlier this year an electronic-prescribing initiative in southeast Michigan to reduce errors, improve efficiency and lower costs.

Second, we all need to become better health-care consumers. Today's health-care consumers generally know far less about the drugs they take, or the quality and efficiency of their health-care providers, than they do about the cars and trucks they buy.

Third, we need to encourage access to affordable health-care coverage for all our citizens. It's simply not acceptable for over 45 million Americans to be without health-care coverage. This causes a tremendous cost shift to those that do provide coverage, through higher bills to cover the costs of the uninsured.

A significant part of the problem is that so-called catastrophic health-care costs for 1 percent of the population generate 30 percent of the nation's overall health-care costs. It is important to concentrate efforts on ensuring the best care for those with chronic diseases and high-cost conditions, and to stabilize the private health-insurance system by addressing these costs.

Fourth, we need to reduce the high rate of inflation in health-care spending, beginning with the very high cost of prescription drugs. And the easiest way to do this is by expanding the availability and use of generic drugs.

And most important, we each need to take better care of our own health – eat well, exercise, quit smoking... things we all know we should do.

These are just some of the major steps that need to be taken to resolve this crisis. But progress will lag unless all of the key constituencies involved in this important issue – business leaders, the health-care industry, consumers, Congress and the Administration – come together to address it with an open mind and a can-do spirit.

Failing to address the U.S. health-care crisis would be the worst kind of procrastination, the kind that places our children and our grandchildren at risk, and threatens the health and global competitiveness of the U.S. economy.





Drive

# more great new cars and trucks.

It's the core of what we do. It's our reason for being. A global portfolio of great vehicles is key to our market and business success. It's our focus every day. And we're on the right track.



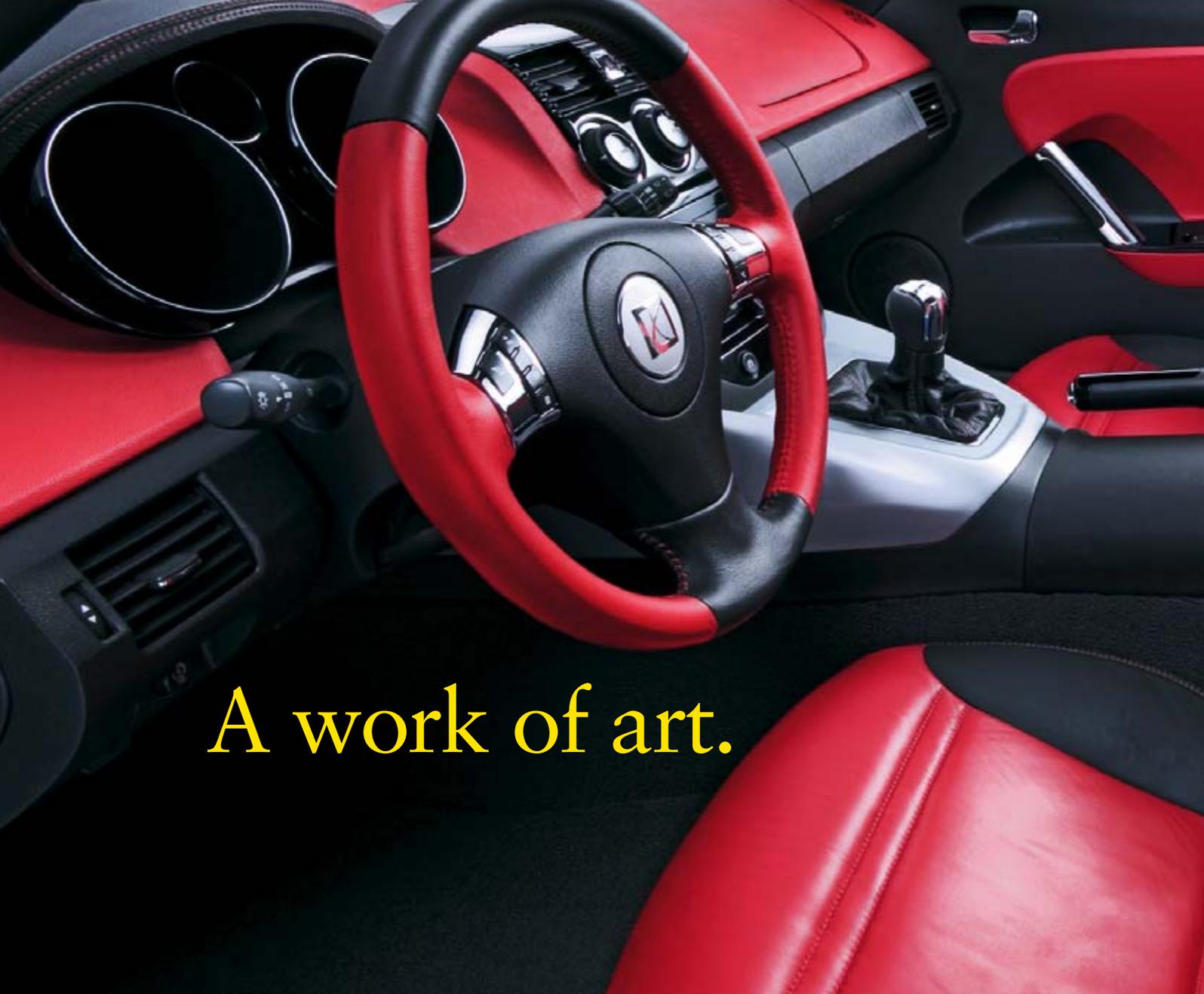
# Experience prestige.

**Cadillac STS** Distinctive, bold design and great performance – STS is the latest and most definitive example of the resurgence of Cadillac. This all-new, rear-wheel-drive luxury performance sedan delivers precision craftsmanship, exceptional performance and sophisticated luxury. Cadillac is building on its accomplishments in the U.S. market with the new generation of Cadillacs designed to compete in global markets. And, Cadillac continues to expand sales outside its traditional home base, by establishing an increasing presence in Europe and China.

# Living room.

**Opel Zafira** At GM, we're focused on providing compelling, high-value entries to every product segment where we compete. With the Zafira, Europe's first seven-seat family vehicle, GM even created a new segment. The all-new Zafira adopts styling and technology from its sibling, Astra, and gives occupants more room, with plenty of seating configurations. Beyond what is readily apparent, GM is making significant gains in manufacturing productivity and quality as we strengthen our overall product portfolio to meet intense competitive challenges in Europe and other markets throughout the world.





# A work of art.



*With tight, controlled lines and fluid surfaces, the exterior of Saturn's first roadster is an attractive and inviting masterpiece. Inside, you can readily see and feel the harmony of interior and exterior design. The compelling interior featuring appealing materials and fine craftsmanship adds the finishing touch to fine art you can drive.*



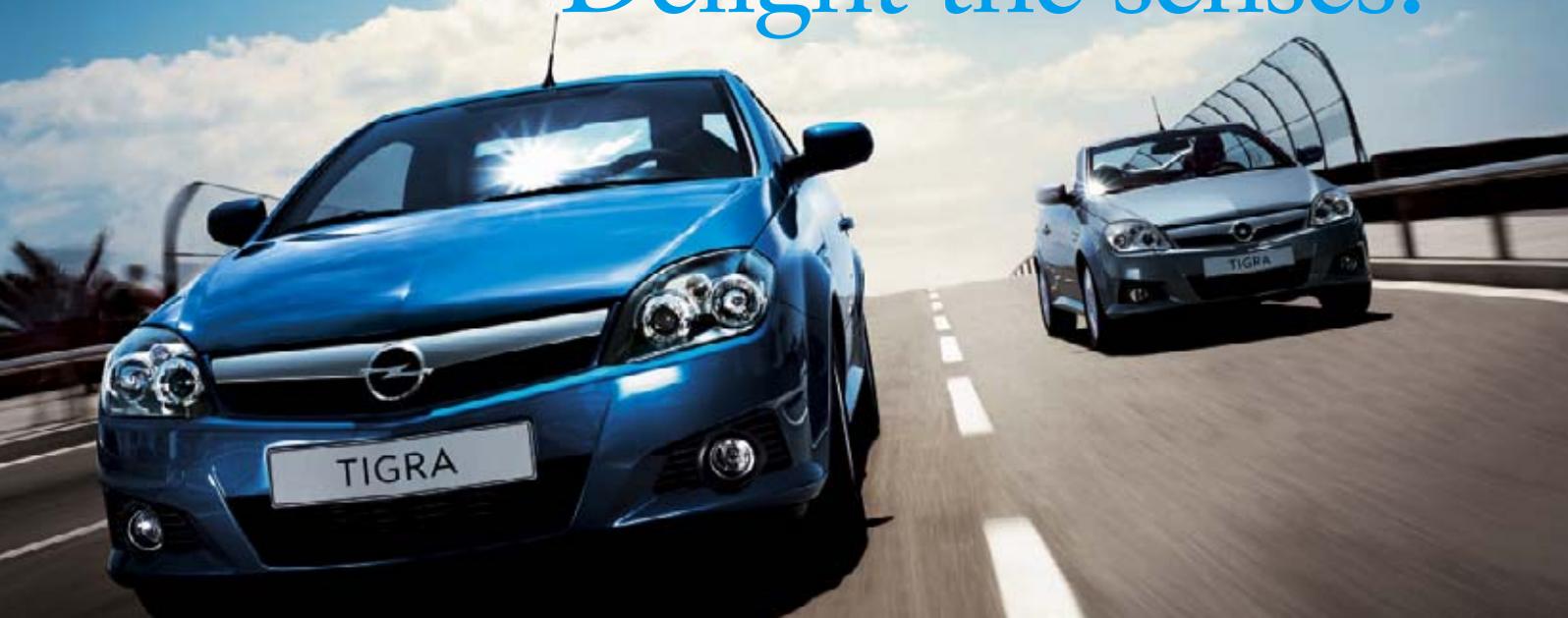


**Saturn Sky** The all-new Sky roadster signals the adoption of an international design language for Saturn, and delivers a bold message about Saturn's next generation of vehicles. Building on its accomplishments in customer sales and service satisfaction, Saturn is taking an additional step forward with exciting new designs in its portfolio makeover. In this case, the Sky is not the limit... the Sky is only the beginning.



**Opel Tigra** Coupe to cabrio in about 18 seconds. Excite your senses driving in the open air. Crowned “Cabrio of the Year” at the 2004 Geneva Motor Show, this sporty two-seater with a retractable hardtop left the jury impressed with a dynamic design and well-balanced proportions. Great products are the most visible element of GM’s progress in the tough European market. But behind the scenes, GM Europe is taking aggressive steps to reduce costs and improve manufacturing and engineering performance, strengthen its brands, improve quality and grow market share.

# Delight the senses.



**Chevrolet Matiz** With its modern design, proven technology and clever use of space, the Matiz marks a significant expansion of the Chevrolet brand in Europe and other markets. This high-value urban-transport car further enhances Chevrolet’s image as GM’s value foundation brand around the globe.

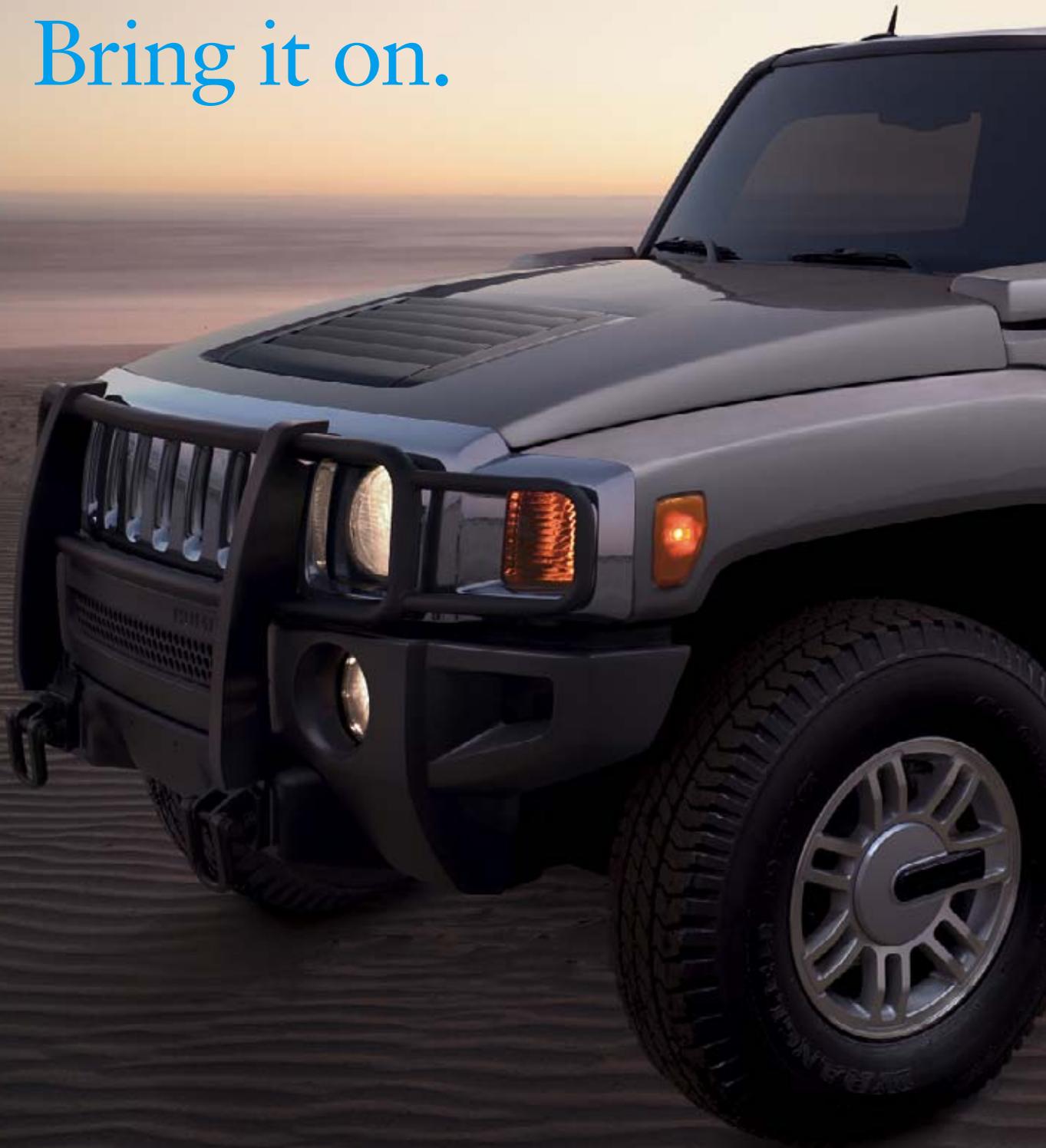


**Chevrolet Cobalt SS** First impressions count. The quickest way to influence consumers' impression of our company is to wow them with great cars and trucks. People get a strong impression about our company by what they can see, touch and feel. Cobalt gives them plenty to feel good about. This sporty new compact presents distinctive styling and segment-leading features while delivering a fun, uncompromising driving experience. Cobalt is a good example of GM's drive to be best in every product segment.

# Driven to excite.



Bring it on.





**HUMMER H3** Manufacturers are fighting for every point of market share they can get. Expanding the HUMMER lineup is an important part of our drive to grow sales volume. The all-new H3 represents a significant step in the HUMMER brand's rapid growth, and an important product for its dealer network. The H3 is authentic HUMMER style and off-road capability in a smaller, more fuel-efficient package.

**Chevrolet Equinox** The 2005 Equinox, Chevrolet's all-new entry in the growing compact SUV segment, features a new balance of style, comfort and capability. Equinox is part of a growing Chevy family that is expanding its presence in key markets around the world. Sold in about 70 countries, Chevrolet is moving beyond its traditional markets in North America, Latin America and the Middle East, into Asia and Europe. About one of every 16 vehicles sold in the world today is a Chevrolet.

# Power and style.





**Saab 9-7X** Saab is driving into new territory as it continues to expand its product lineup. The 9-7X, Saab's first SUV, is a distinctive entry into the SUV market and marks Saab's first product collaboration with GM North America. With standard all-wheel drive and rollover-sensing system, the 9-7X carries on the Saab tradition of elegant style and responsive handling. With its dynamic road manners and comfortable, well-controlled ride, the 9-7X is a true driver's vehicle designed to continue broadening Saab's brand appeal.

# On road or off.



**GMC TopKick** Go anywhere, get the job done. Maneuverability and durability are hallmarks of the GMC TopKick, a key entry in the important commercial-truck segment. This medium-duty powerhouse boasts the least amount of unscheduled downtime in its class according to J.D. Power and Associates. We're working hard to fulfill the high demand for more flexible powertrain options. GM stands out from the competition by offering both diesel- and gasoline-powered medium-duty commercial trucks.





Drive

# breakthrough technology.

Breakthrough technology makes life better – safer, more responsible and, yes, more fun – for people everywhere. Today, tomorrow and farther down the road.



# Peace of mind.

Only GM can offer its customers the assurance that someone is looking out for them and their families when they're on the road. Twenty-four hours a day, seven days a week, OnStar by GM offers real-time personalized help. Since 1996, OnStar has had more than 50 million interactions with subscribers, who now total more than three million.

As America's leading in-vehicle safety, security and communications system, OnStar is also an important must-have service that distinguishes GM vehicles in the crowded and highly competitive marketplace.

In response to the growing importance consumers are placing on this lifesaving safety technology, GM will include OnStar as standard equipment on all U.S. and Canadian retail vehicles by

the end of 2007. This commitment to safety makes GM the only automotive manufacturer able to offer a full range of cars, trucks and SUVs that provide safety protection before, during and after vehicle collisions.

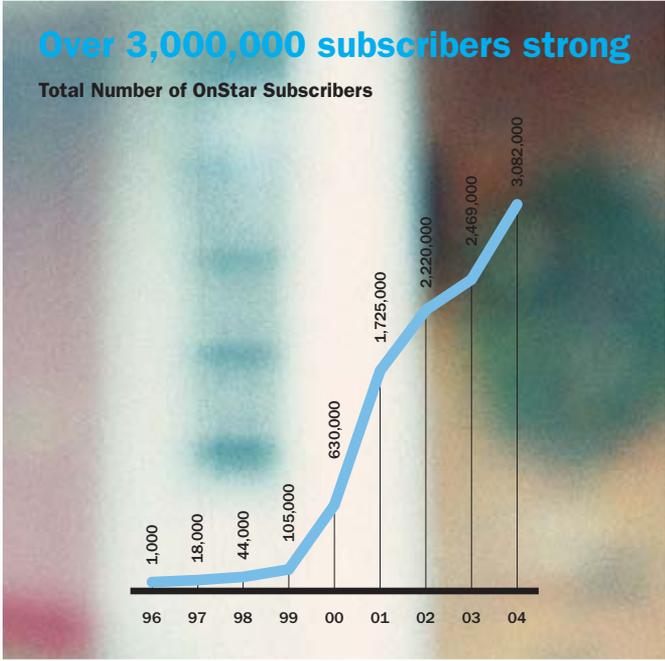
Natural extensions of this valuable safety and security service continue to develop. OnStar is working with the National Center for Missing & Exploited Children to enable subscribers to use the emergency service in response to Amber Alerts for locating missing children.

OnStar is being recognized outside the auto industry. It received the Good Housekeeping Institute's "Good Buy Award." OnStar is the first automotive product or service to receive this honor.

**OnStar by GM**

**Over 3,000,000 subscribers strong**

**Total Number of OnStar Subscribers**



Aladdin has a magic carpet. General Motors has a Magic Bus. Also known as the GM hybrid-powered bus, GM's diesel-electric hybrid system for transit buses is helping cities save fuel and improve air quality. Transit buses with the GM hybrid propulsion system deliver significantly better fuel economy than traditional transit buses and reduce certain emissions by up to 90 percent. By the end of 2004, 18 U.S. cities had GM hybrid-powered buses, including Seattle, Philadelphia, Houston, Minneapolis, Portland and Honolulu. In Seattle/King County alone, there are 235 GM hybrid-powered buses, and a fleet will soon be operational in Yosemite National Park. If the largest U.S. cities replaced their conventional buses with GM hybrid-powered buses, they'd save millions of gallons of fuel annually – a positive impact the whole country could feel.

At GM, we've launched a hybrid program that is focused on the highest-fuel-consuming vehicles, such as mass transit buses, full-size trucks and SUVs. We are helping to preserve the environment, one city at a time.

# Fresh thinking.



## Technology for today.

The desire to own an automobile is a nearly universal aspiration. Vehicles give us freedom. Freedom to go where we want, when we want, carrying what we need, safely and conveniently. They increase our access to people, places and products. They enrich our lives.

For nearly 100 years, GM has provided the freedom of mobility to millions of people the world over. And today we are working toward a future in which these substantial “freedom” benefits of the automobile can be extended to many more people around the globe, affordably and sustainably.

On the way to that future, we are reinventing the automobile, with promising new technologies. Technologies like displacement-on-demand, hybrid propulsion and hydrogen fuel cells that will make our vehicles cleaner, more energy-efficient and more exciting to drive. Innovative electronic controls and features that enhance performance and enable new functionality. Meaningful telematics applications that move beyond communications and entertainment to real-time traffic information and collision warning and avoidance. And, the latest materials such as nanocomposites and advanced aluminum alloys that increase efficiency while enabling innovative designs.

Along every technology avenue, we are driving innovation into our products. We are making GM vehicles smarter, safer and more sustainable. We are connecting them to each other and to the world beyond. We are creating unique designs that excite customers. We are crafting vehicles that are more affordable. We are making them more fun to own and operate.

GM is reshaping the future, creating synergies among key technologies in order to reinvent the automobile. We are working hard to make it an even greater work of art, power, fun and access than the cars and trucks we know and love today. As the world’s largest automotive manufacturer, GM is committed to leading the way – and we are leading the way – with technology for today and tomorrow.

Comments from  
**Larry Burns**  
Vice President,  
Research & Development  
and Strategic Planning





Drive

# one company further.

**Our reach, scale and diverse talent pool are tremendous assets that we're pulling together on a global basis as never before.**





*Lynn Vonallmen, Brian Anderson and Andre Hudson, members of GM's global design team, discuss features of the Saturn Sky, which was developed by a team of European and North American designers.*

*Inset: Tim Sheena sculpts a clay model for a future car.*

A man in a blue button-down shirt is sitting at a desk in a car design studio. He is looking towards the left, where a computer monitor displays a red car. He is holding a blueprint or drawing of a car's front end. In the background, there are several other monitors showing different car models. The overall atmosphere is professional and focused on automotive design.

# No borders, no boundaries.

Great cars and trucks are the building blocks of great brands. To create products that satisfy and delight customers the world over, we need to develop talent from around the globe. In recent years, we have spent a great deal of care knitting together our worldwide product-development centers. And, we are using our planning, design and engineering resources to create a global product-development organization without borders or boundaries. We're driving performance improvements through global leverage, benefiting from worldwide expertise and using local market knowledge to improve our performance. In short, we're operating like one company. It's not revolutionary. It just makes sense. And it enables us to bring better cars and trucks to market.

Global tool box.



Opel Astra GTC

The energy and spirit within GM's global product-development team is a driving force in our effort to distinguish GM's diverse portfolio of cars and trucks from the competition and attract new customers. GM designers and engineers from around the world are crafting compelling new vehicles tailored to the demands and tastes of local markets. And, taking advantage of our size and scope, we can effectively accomplish this faster and more efficiently.

For example, the resources at GM Daewoo have significantly expanded our capability, giving us a major presence in the important Korean market and adding a strong high-value design and engineering capability to our global product-development system.

Using this diverse and broad-based capability, we are differentiating our cars and trucks with emotionally compelling designs and powertrains that are appropriate for each market.

The Opel Astra, opposite, is a successful example in Europe. In Australia, Holden retains its position as the most popular passenger car brand with products such as the Commodore SV6, below. And in the United States, Buick marks the beginning of a complete renewal of its passenger-car lineup during the next several years with the LaCrosse, below.



**Holden Commodore SV6**



**Buick LaCrosse**





Drive  
more dreams  
to reality.

GMAC is a strong contributor to GM's bottom line and a great partner in helping sell cars and trucks around the globe. We're proud of the number of people we've helped with financial services through this important member of the GM family.

GMAC Financial Services is a family of companies ready to help you and your family with crucial decisions that affect your lifestyles and wallets. You can depend on GMAC to help you finance a car or truck, buy or sell a house, get a mortgage or obtain insurance to cover a variety of needs. And commercial lending is available for a variety of business pursuits. With a growing presence around the world, GMAC is committed to delivering the highest-quality products and services to its global customer base in 41 countries, while contributing significantly to the financial strength of General Motors.

# Families first.



## GMAC continues to deliver.

Helping drive dreams to reality for consumers while continuing to drive business success for General Motors. That sums up our role at GMAC.

We're committed to help GM sell more vehicles worldwide. We do that by providing innovative automotive financing to dealers and retail customers in 41 countries around the globe. Equally important is our contribution to GM's financial performance. Despite the challenges of credit-rating pressures and higher borrowing costs, GMAC has delivered growth in earnings for 10 years in a row.

Our key success factors in overcoming various challenges have been – and continue to be – anticipating changes in the marketplace and transforming our

business model accordingly. GMAC's move to a more diversified business model has been a major driver of improved profitability. We've taken our core competencies – borrowing, lending, collecting and assessing risk – and leveraged them broadly into diversified businesses to improve our overall earnings. In doing so, we have transformed the GMAC enterprise from what was predominantly an auto-finance company into a highly diversified global financial-services company. Earnings from our three major businesses – automotive finance, mortgage and insurance – have provided GM with a consistently strong return on the capital that it has invested in GMAC.

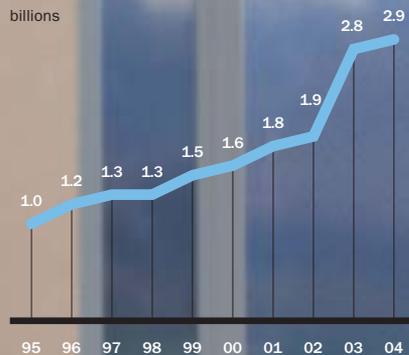
We have also sharpened our focus on supporting GM vehicle sales with more efficient wholesale and retail financing

programs. While the productivity of GMAC operations has improved significantly and structural costs have declined sharply, our dealer-satisfaction ratings have climbed to their highest levels ever.

We're proud of GMAC's successful track record. Of course, a great deal of that success stems from our strategic connection with General Motors. Our link to GM's dealer network and customer base is our foundation. At the same time, our ability to finance vehicles for dealers and customers globally helps generate plus sales for GM all over the world. Looking ahead, it is our mission to ensure that GM and GMAC thrive together.

### GMAC Net Income

billions



Comments from  
**Eric A. Feldstein**  
Group Vice President  
and Chairman, GMAC







Drive  
to a bright  
new future.

We see a new world of possibilities ahead,  
and we're driving to get there.

# Witness the evolution.

General Motors has a comprehensive advanced-technology strategy to address efficiency, emissions and the performance of its propulsion systems – from today's engine and transmission technology to hybrids and, eventually, hydrogen-powered fuel cells.



**GM Sequel**

**GMC Graphyte**



**Opel Astra Diesel Hybrid**



Near term, we continue to refine traditional powertrains and plan to introduce more than 50 new engine and transmission variants around the world by the end of the decade.

We also continue to expand the use of hybrid power to further improve fuel economy. In the near future, GM plans to offer hybrid versions of the Saturn VUE and Chevy Malibu, and will introduce its two-mode full-hybrid propulsion system on the full-size Chevrolet Tahoe and GMC Yukon SUVs.

The Opel Astra Diesel Hybrid concept, above, demonstrates the scalability of the two-mode full-hybrid technology pioneered by GM for use on cars, trucks and SUVs.

The all-wheel-drive GMC Graphyte concept, above, also uses the two-mode full-hybrid system. It provides significant improvement in fuel economy without compromising the performance customers want in an SUV.

And in the long term, we believe hydrogen-powered fuel cells will become

a significant addition to the global propulsion mix with their cleaner, more-efficient performance. The Sequel, opposite, continues our efforts to completely reinvent the automobile as we know it and remove the automobile from the environmental debate. GM's goal is to design and validate a fuel-cell propulsion system by 2010 that is competitive with current powertrains in durability and performance, and that can be sold at an affordable price if market demand results.



## GM at a Glance

Great products are key to strong brands. In an intensely competitive global market, cars and trucks that truly stand out in customer appeal, combined with strong distribution channels, are the true building blocks for success.

**GMC**



CHEVROLET



SATURN



HOLDEN



PONTIAC



OPEL



SAAB



Cadillac



VAUXHALL



BUICK



GM DAEWOO

**HUMMER**





That's why GM's broad and diverse portfolio of cars and trucks and multi-brand distribution strategy position the company for growth around the world. The multi-brand strategy is supported by our global footprint and product-development capabilities, allowing us to leverage, differentiate and deploy individual brands in ways that are relevant regionally and locally, and in select cases, globally.

Cadillac, our flagship brand, is in the fast lane in its home U.S. market

and is moving quickly to expand its global presence.

To grow additional sales in key global markets, both Saab and HUMMER are broadening their product lines to offer consumers more choices with Saab's first SUV, the 9-7X, and HUMMER's smaller – but just as authentic – new H3.

Chevrolet is the foundation of GM's brand spectrum in North America, Latin America, the Middle East, Asia and now Europe as well.

Pontiac, Saturn and Buick are being reinvigorated in North America. In addition, Buick is strong in the Chinese market. Holden has traditionally been a strong player in the Australian market. Opel in Europe and Vauxhall in Great Britain are undergoing a significant product resurgence. GM Daewoo provides GM a foothold in the important Korean market.





# Touching lives.



After the devastating tsunami struck Southeast Asia and Africa in 2004, GM responded with financial aid and hands-on assistance. Here, a Chevrolet Colorado, one of many vehicles donated to the Asian Red Cross, delivers fresh water to people at a tsunami relief center in southern Thailand.

At General Motors, we believe in being good corporate citizens in every market where we do business – creating jobs, seeding technology, contributing tax revenues, improving standards of living, supporting sustainable economic development, and responding quickly to disasters. To support this belief, we take a comprehensive approach that involves corporate programs, philanthropy and employee volunteerism to help support health and human services; education; civic and community organizations; public policy initiatives; environmental and energy projects; and arts and culture.

Through GM Volunteer Plus International, GM and its employees take a hands-on approach to helping others in the communities where we operate. As a global citizen, we also join in relief and recovery efforts through GM GlobalAid, donating money and vehicles in response to disasters such as the hurricanes that struck Florida and the southeastern United States in 2004, as well as the tsunami that devastated areas of Southeast Asia and Africa.

As an advocate for economic growth, General Motors continues to invest in facilities as well as redevelop property at former operations. We have partnered with government and civic organizations on dozens of redevelopment projects, successfully transforming and redeveloping our own properties and helping create vibrant local communities where we live and work.

We are working every day to develop innovative solutions to economic, social and environmental challenges. More information regarding our commitment to corporate and social responsibility can be found on the GMability Web site ([gm.com/company/gmability](http://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, 2004, 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 its reportable operating segments: Automotive and Other Operations (Auto & Other) and Financing and Insurance Operations (FIO).

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

- GM's four automotive regions: GM North America (GMNA), GM Europe (GME), GM Latin America/Africa/Mid-East (GMLAAM), and GM Asia Pacific (GMAP), which constitute GM Automotive (GMA); and
- Other, which includes the design, manufacturing and marketing of locomotives, the elimination of intersegment transactions, certain non-segment specific revenues and expenditures, including legacy costs related to postretirement benefits for certain Delphi and other retirees, and certain corporate activities.

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

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

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

## Results of Operations

### Consolidated Results

(Dollars in millions)	Years ended December 31,		
	2004	2003	2002
<b>Consolidated:</b>			
Total net sales and revenues	<b>\$193,517</b>	\$185,837	\$177,867
Income from continuing operations	<b>\$ 2,805</b>	\$ 2,862	\$ 1,975
Net income	<b>\$ 2,805</b>	\$ 3,822	\$ 1,736
Net margin from continuing operations	<b>1.4%</b>	1.5%	1.1%
<b>Automotive and Other Operations:</b>			
Total net sales and revenues	<b>\$161,545</b>	\$155,831	\$150,250
Income (loss) from continuing operations	<b>\$ (89)</b>	\$ 35	\$ 93
Net income (loss)	<b>\$ (89)</b>	\$ 995	\$ (146)
<b>Financing and Insurance Operations:</b>			
Total revenues	<b>\$ 31,972</b>	\$ 30,006	\$ 27,617
Net income	<b>\$ 2,894</b>	\$ 2,827	\$ 1,882

The increase in 2004 total net sales and revenues, compared with 2003, resulted from increased GMA revenue of \$6.6 billion, with significant increases at GMLAAM and GME, and increases in FIO revenue of \$2.0 billion. Other revenues in 2003 included approximately \$814 million from the sale of GM's defense business. 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 \$2.4 billion.

Income from continuing operations decreased \$57 million to \$2.8 billion in 2004, compared to 2003. Automotive results improved by \$868 million due to improvement at GMNA, a strong recovery at GMLAAM, and record income at GMAP, more than offsetting increased losses at GME. Other Operations' 2004 results include an after-tax charge of \$886 million related to the February 2005 settlement reached between GM and Fiat S.p.A. (Fiat) to terminate the Master Agreement (including the Put Option) and settle various disputes between the two companies. GMAC earned a record \$2.9 billion net income, with higher financing and insurance income more than offsetting lower mortgage income. In 2003, consolidated net income included a gain on the sale of discontinued operations of \$1.2 billion and a loss from discontinued operations of \$219 million related to Hughes Electronics Corporation (Hughes). See discussion at Discontinued Operations.

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.

2004 highlights included:

- Record consolidated net sales and revenues;
- Market share increases in three of four automotive regions;
- Record net income at GMAC;
- Record net income and market share at GMAP;
- Profitability at GMLAAM;
- Approximately 14% actual return on assets for U.S. pension plans;

## Results of Operations *(continued)*

- \$9 billion contributed to pre-fund U.S. OPEB liabilities; and
- Termination of the Master Agreement (including the Put Option) with Fiat and settlement of related disputes included in 2004 financial results.

### GM Automotive and Other Operations Financial Review

	Years ended December 31,		
(Dollars in millions)	2004	2003	2002
Auto & Other:			
Total net sales and revenues	\$161,545	\$155,831	\$150,250
Income (loss) from continuing operations	\$ (89)	\$ 35	\$ 93
(Loss) from discontinued operations	—	(219)	(239)
Gain on sale of discontinued operations	—	1,179	—
Net income (loss)	\$ (89)	\$ 995	\$ (146)
GMA net income (loss) by region:			
GMNA	\$ 1,583	\$ 811	\$ 2,992
GME	(976)	(504)	(1,011)
GMLAAM	85	(331)	(181)
GMAP	729	577	188
Net income (loss)	\$ 1,421	\$ 553	\$ 1,988
Net margin	0.9%	0.4%	1.3%
GM global automotive market share	14.5%	14.6%	15.0%
Other:			
(Loss) from continuing operations	\$ (1,510)	\$ (518)	\$ (1,895)
(Loss) from discontinued operations	—	(219)	(239)
Gain on sale of discontinued operations	—	1,179	—
Net income (loss)	\$ (1,510)	\$ 442	\$ (2,134)

The increase in 2004 total net sales and revenues, compared with 2003, was largely due to higher wholesale volumes at GMLAAM and GME and continued growth in GMAP, partially offset by lower GMNA revenue. 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. GM's global market share was 14.5% and 14.6% for the years 2004 and 2003, respectively. Market share gains were recognized for 2004 in three out of four automotive regions (see discussion below under each region) with GMNA posting a 0.7 percentage point decline, to 26.7%.

GMA's 2004 net income increased \$868 million compared with 2003. GMNA's income increased due to material cost savings and favorable tax items, partially offset by decreased production and negative mix. GMAP achieved record annual income, despite slower growth in the second half of the year, while GMLAAM reached annual profitability for the first year since 2000. GME's loss for 2004 increased due to continued price pressure and unfavorable exchange. The decrease in GMA's 2003 net income compared with 2002 was the result of lower wholesale volumes, 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.

See discussion of Other Operations' results below.

## GM Automotive Regional Results

### GM North America

	Years ended December 31,		
(Dollars in millions)	2004	2003	2002
GMNA:			
Net income	\$1,583	\$811	\$2,992
Net margin	1.4%	0.7%	2.6%
(In thousands)			
Wholesale volumes			
Cars	2,271	2,340	2,547
Trucks	3,193	3,267	3,174
Total GMNA	5,464	5,607	5,721
Vehicle unit sales			
Industry – North America	20,275	19,841	20,135
GM as a percentage of industry	26.7%	27.4%	27.9%
Industry – U.S.	17,302	16,970	17,143
GM as a percentage of industry	27.2%	28.0%	28.3%
GM cars	24.9%	25.7%	25.4%
GM trucks	29.0%	30.0%	31.0%

North American industry vehicle unit sales increased 2% to 20.3 million units during 2004. While the industry grew slightly, GMNA's production declined approximately 4% to 5.2 million units and market share decreased by 0.7 percentage points. GMNA ended the year with a market share of 26.7% for 2004, compared to 27.4% for 2003.

During 2004, industry vehicle unit sales in the United States increased to 17.3 million units, while GM's U.S. market share decreased by 0.8 percentage points. GM ended the year with a U.S. market share of 27.2% for 2004, versus 28.0% for 2003. GM's U.S. car market share declined by 0.8 percentage points to 24.9%, while U.S. truck market share for the year was 29.0%, down 1.0 percentage point. Truck sales represented 60% of GM's total U.S. vehicle unit sales in 2004, up slightly from 59% in 2003.

Net income from GMNA totaled \$1.6 billion, \$811 million, and \$3.0 billion in 2004, 2003, and 2002, respectively. The effects of material and structural cost savings in 2004 were partially offset by lower volume and unfavorable product mix. Additionally, 2004 net income includes the effect of GM's contribution of approximately 11 million shares of XM Satellite Radio Holdings Inc. (XM) common stock to GM's Voluntary Employees' Beneficiary Association (VEBA), which resulted in an after-tax gain to GMNA of \$118 million. GMNA recognized tax benefits in 2004 of \$540 million primarily as the result of U.S. and Mexico tax legislation and Canadian capital loss carryforwards, as well as a benefit related to the settlement of various prior year tax matters in the U.S. In addition, in the third quarter of 2004 GM completed its periodic review of products liability reserves, which comprehend all products liability exposure. This review resulted in an after-tax reduction to these reserves of approximately \$250 million, in order to appropriately reflect the current level of exposure.

In the fourth quarter of 2004, GM announced plans to close its assembly plant in Baltimore, Maryland, and to permanently lay off approximately 950 employees at GM's assembly plant in Linden, New Jersey. In connection with these actions, GM recognized after-tax charges totaling \$78 million in 2004 for impairment of product-specific assets and facilities, and other associated costs. Continued payment of compensation and other benefits to laid-off employees at the Baltimore and Linden plants is estimated to be \$6 million and \$10 million per month, respectively, which is expected to decline as employees are redeployed, retire, or otherwise terminate

## Results of Operations *(continued)*

their employment; accordingly, the total of such charges is not currently estimable. Exit and environmental costs totaling approximately \$28 million after tax are expected to be recognized in the future as liabilities are incurred. In addition, GM incurred after-tax charges in 2004 of \$118 million for impairments of other product-specific assets and facilities not related to these actions.

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, which provided for lump-sum payments and vehicle discount vouchers for retirees. In addition, GMNA adjusted a previously established reserve for idled workers, primarily related to the Janesville, Wisconsin plant, resulting in \$103 million of net income, after tax. Also, GMNA incurred various structural cost adjustments, asset impairment and other charges, favorable interest income from settlements of prior year tax matters, and income related to the market valuation of XM warrants. These items netted to approximately \$90 million of income for the year.

Vehicle revenue per unit was consistent year over year at \$18,991 for calendar year 2004 and \$18,992 for calendar year 2003, reflecting a continuing trend of moderating pricing.

### GM Europe

	Years ended December 31,		
(Dollars in millions)	2004	2003	2002
GME net (loss)	<b>\$(976)</b>	\$(504)	\$(1,011)
GME net margin	<b>(3.2)%</b>	(1.8)%	(4.2)%
<i>(In thousands)</i>			
Wholesale volumes			
Cars	<b>1,620</b>	1,563	1,545
Trucks	<b>97</b>	94	100
Total GME	<b>1,717</b>	1,657	1,645
Vehicle unit sales			
Industry	<b>20,606</b>	19,537	19,340
GM as a percentage of industry	<b>9.5%</b>	9.3%	8.6%
GM market share – Germany	<b>10.5%</b>	10.4%	10.2%
GM market share – United Kingdom	<b>13.9%</b>	13.7%	12.7%

Industry vehicle unit sales increased more than 5% in Europe during 2004, and GME increased its total market share to 9.5%, up 0.2 percentage points from 2003. In two of GM's largest markets in Europe, GM continued to increase market share: market share was 10.5% in Germany, a 0.1 percentage point increase over 2003; and in the United Kingdom market share was 13.9%, an increase of 0.2 percentage points over 2003.

Net loss from GME totaled \$976 million, \$504 million, and \$1.0 billion, in 2004, 2003, and 2002, respectively. The increase in GME's loss in 2004 over 2003 was primarily due to continued negative price and unfavorable exchange with respect to the weakening of the U.S. dollar compared to the euro and Swedish krona, partially offset by favorable volume and mix, material cost savings and reduced structural costs. In addition, in 2004 GME's net loss included an after-tax charge of \$234 million for the impairment of various product-specific assets.

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 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.

On October 14, 2004, GM announced a major restructuring initiative for GME to reduce annual structural costs by approximately euro 500 million (\$600 million) by 2006. The plan involves a reduction in workforce of up to 12,000 in 2005 and 2006, largely in manufacturing and engineering operations in Germany, and the continued integration of design and engineering functions. In December 2004, GM reached agreement with various labor unions in Europe on a framework for the restructuring plan. Total costs associated with the restructuring initiative are yet to be determined, and will be recognized in future periods as the restructuring occurs. GM expects to incur charges in connection with this throughout 2005; the amounts of these charges have not yet been determined.

### GM Latin America/Africa/Mid-East

	Years ended December 31,		
(Dollars in millions)	2004	2003	2002
GMLAAM net income (loss)	<b>\$85</b>	\$(331)	\$(181)
GMLAAM net margin	<b>1.0%</b>	(6.1)%	(3.5)%
<i>(In thousands)</i>			
Wholesale volumes			
Cars	<b>586</b>	438	443
Trucks	<b>183</b>	123	197
Total GMLAAM	<b>769</b>	561	640
Vehicle unit sales			
Industry	<b>4,240</b>	3,585	3,637
GM as a percentage of industry	<b>17.4%</b>	16.3%	17.0%
GM market share – Brazil	<b>23.1%</b>	23.3%	23.0%

Improving economic conditions in Latin America resulted in significant industry growth in 2004, with the markets in Argentina and Venezuela doubling, and Brazil's market growing more than 10% compared to 2003. In addition, the South Africa market grew more than 20% in 2004. GMLAAM capitalized on this industry growth and improved its regional market share by 1.1 percentage points to 17.4% in 2004 with a 26% increase in vehicle unit sales, to 737 thousand in 2004.

Net income (loss) from GMLAAM totaled \$85 million, \$(331) million, and \$(181) million in 2004, 2003, and 2002, respectively. 2004 was the first profitable year for GMLAAM since 2000. Favorable volume and mix and positive pricing, partially offset by increased material and structural costs, drove the improved results in 2004. The increase in the region's 2003 net loss from 2002 was primarily due to continued economic weakness in the region as industry vehicle sales decreased 52 thousand units to 3.6 million for 2003. In 2003, GMLAAM incurred asset impairment charges and unfavorable exchange effects, which were partially offset by net price increases.

Effective January 1, 2004, GM increased its ownership of Delta Motor Co. in South Africa to 100%, from 49% previously, moving from the equity method of accounting to full consolidation. The company is now known as General Motors South Africa.

## Results of Operations *(continued)*

### GM Asia Pacific

	Years ended December 31,		
(Dollars in millions)	2004	2003	2002
GMAP net income	<b>\$729</b>	\$577	\$188
GMAP net margin	<b>10.4%</b>	10.8%	4.2%
<i>(In thousands)</i>			
Wholesale volumes			
Cars	<b>203</b>	203	185
Trucks	<b>88</b>	70	220
Total GMAP	<b>291</b>	273	405
Vehicle unit sales			
Industry	<b>17,070</b>	15,925	14,503
GM as a percentage of industry	<b>5.2%</b>	4.9%	3.4%
GM market share – Australia	<b>19.4%</b>	20.4%	22.6%
GM market share – China	<b>9.3%</b>	8.6%	4.2%

Industry vehicle unit sales in the Asia Pacific region increased approximately 7.2% in 2004, to 17.1 million units, from 15.9 million units in 2003. This reflects slower growth in China than in previous years, where vehicle unit sales increased 16% to 5.3 million in 2004, from 4.6 million units in 2003. During 2003 industry vehicle unit sales in China increased 35% over 2002 levels. GMAP increased its vehicle unit sales (including GM Daewoo Auto & Technology Company (GM-DAT) and China affiliates) in the Asia Pacific region more than 14% in the period, to 887 thousand units from 775 thousand in 2003. GMAP's 2004 market share was 5.2%, compared to 4.9% in 2003. GMAP's market share in China increased 0.7 percentage point to 9.3% in 2004, and China was GM's second largest market for 2004.

Net income from GMAP totaled \$729 million, \$577 million, and \$188 million, in 2004, 2003, and 2002, respectively. The increase in GMAP's 2004 net income over 2003 was due to improved results at equity investees in Japan and GM-DAT, as well as improved earnings at GM operations in Thailand and India, partially offset by reduced income at GM Holden. The increase in GMAP's 2003 net income, compared with 2002, was primarily due to strong equity earnings from Shanghai General Motors Co., Ltd. and other equity investees, as well as increased earnings at Holden in Australia.

### Other Operations

	Years ended December 31,		
(Dollars in millions)	2004	2003	2002
Other:			
Total net sales and revenues	<b>\$ 410</b>	\$1,318	\$ 895
(Loss) from continuing operations	<b>\$(1,510)</b>	\$(518)	\$(1,895)
(Loss) from discontinued operations	–	(219)	(239)
Gain from sale of discontinued operations	–	1,179	–
Net (loss) income	<b>\$(1,510)</b>	\$ 442	\$(2,134)

Other Operations' loss from continuing operations increased \$992 million in 2004 compared to 2003, to \$1.5 billion. Other Operations' loss from continuing operations includes after-tax legacy costs of \$402 million and \$634 million for 2004 and 2003 respectively, related to employee benefit costs of divested businesses, primarily Delphi, for which GM has retained responsibility.

In 2002, GM evaluated the carrying value of its investment in Fiat Auto Holdings B.V. (FAH), resulting in a non-cash impairment charge of \$2.2 billion (\$1.4 billion, after-tax). The write-down decreased the carrying value of GM's investment in 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. In December 2004, GM wrote off this remaining balance to Other Operations' cost of sales, resulting in an after-tax charge of \$136 million.

On February 13, 2005 GM and Fiat reached a settlement agreement whereby GM will pay Fiat approximately \$2.0 billion and will return its 10% equity interest in FAH to terminate the Master Agreement (including the Put Option) entered into in March 2000, settle various disputes related thereto, and acquire an interest in key strategic diesel engine assets and other important rights with respect to diesel engine technology and know-how. The settlement agreement results in a pre-tax charge to earnings of approximately \$1.4 billion (\$886 million after tax or \$1.56 per fully diluted share). Since the underlying events and disputes giving rise to GM's and Fiat's agreement to settle these disputes and terminate the Master Agreement (including the Put Option) existed at December 31, 2004, GM recognized this charge in the fourth quarter of 2004. This charge was recorded in cost of sales and other expenses in Other Operations.

In addition, the settlement agreement includes, among other things, the following actions or provisions:

- The Fiat-GM Powertrain (FGP) joint venture company will be dissolved and GM will regain complete ownership of all GM assets originally contributed. During a transition period, FGP will continue to supply both companies so that their respective operations will not be disrupted.
- GM will retain co-ownership with Fiat of the key powertrain intellectual property, including SDE and JTD diesel engines and the M20-32 six-speed manual transmission.
- GM will hold a 50% interest in a joint venture limited to operating the powertrain manufacturing plant in Bielsko-Biala, Poland, that currently produces the 1.3 liter SDE diesel engine.
- The companies will continue to supply each other with powertrains under long term contracts which provide considerable ongoing savings.
- GM and Fiat will also continue to work together to develop certain car programs.
- Fiat will participate in GM's purchasing alliance program.
- GM and Fiat have exchanged broad releases of all claims and liabilities.

## Results of Operations *(continued)*

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

Also, Other Operations' 2003 results include charges of approximately \$277 million 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.

### Discontinued Operations

In December 2003, 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 The News Corporation Ltd. (News Corporation) in exchange for cash and News Corporation Preferred American Depositary Shares. These transactions are referred to as "the Hughes transactions."

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 were classified as discontinued operations for all periods through such date presented in GM's consolidated financial statements. The transactions resulted in an after-tax gain of approximately \$1.2 billion, 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 \$2.9 billion, \$2.8 billion, and \$1.9 billion for 2004, 2003, and 2002 respectively.

(Dollars in millions)	Years ended December 31,		
	2004	2003	2002
Financing operations	<b>\$1,476</b>	\$1,360	\$1,239
Mortgage operations	<b>1,108</b>	1,254	544
Insurance operations	<b>329</b>	179	87
Net income	<b>\$2,913</b>	\$2,793	\$1,870

Net income from financing operations totaled \$1.5 billion, \$1.4 billion, and \$1.2 billion in 2004, 2003, and 2002, respectively. The increase in 2004 net income over 2003 reflects improvement in earnings from international operations, lower credit loss provisions, improved vehicle remarketing results in North America, and favorable tax items, partially offset by lower net interest margins. 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.

Net income from mortgage operations totaled \$1.1 billion, \$1.3 billion, and \$544 million in 2004, 2003, and 2002, respectively. In 2004 U.S. residential mortgage industry volumes declined by approximately 30% compared to 2003. However, despite the lower industry volumes, mortgage operations achieved market share gains, asset growth, improved mortgage servicing results, and an increase in fee-based revenue in 2004 compared to 2003. 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 as a result of historically low market interest rates.

Net income from insurance operations totaled a record \$329 million in 2004, and \$179 million and \$87 million in 2003 and 2002, respectively. The increase in 2004 net income was due to improved operating performance across the majority of product lines, combined with improved investment portfolio performance. 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.

### 2005 Priorities/Targets

With respect to GM's previously reported operating priorities and financial targets for 2005:

- GM's estimate of 2005 calendar-year earnings per share, before restructuring charges in North America and Europe, is revised to a range of \$1.00 to \$2.00, down from the previously announced range of \$4.00 to \$5.00. The reduction is more than accounted for by a deterioration in GMNA's net income outlook, only partially offset by improvements in the other sectors.
- GM now estimates that operating cash flow will be negative at approximately \$(2.0) billion before the Fiat settlement and GME restructuring, compared to the previously announced target of \$2.0 billion, largely due to the decreased net income and lower production volume at GMNA.
- Capital spending remains on track at \$8 billion.
- GM now estimates its target of increasing global sales volume will not be attained, as a reduction in North America will be only partially offset by stronger sales in each of the other regions.
- Sector net income estimates are updated as follows:
  - GMNA is now expected to miss its target of \$500 million and will incur a significant full-year loss, largely due to shortfalls in volume, product mix, and pricing, only partially offset by better cost performance.
  - GME, GMLAAM, GMAP, and GMAC are expected to meet or beat their targets of \$(500) million, \$100 million, \$600 million, and greater than \$2,500 million respectively.

For the first quarter of 2005, GM now estimates its earnings per share, before GMNA and GME restructuring charges, will be in a loss range of around \$(1.50) per share compared to the previous estimate of breakeven or better. The decrease is fully accounted for by GMNA's production, mix, and pricing shortfalls. GMNA's results for the balance of the calendar year are expected to improve from the first quarter level, as volume improves and new models enter production for the 2006 model year.

## Results of Operations *(concluded)*

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

See discussion below at “Status of Debt Ratings” for recent actions by rating agencies with respect to GM’s and GMAC’s credit ratings and the potential effect of future ratings actions on the Corporation’s access to capital markets.

## Liquidity and Capital Resources

### Statements of Cash Flows Reclassifications

For 2004, GM reclassified certain amounts between operating and investing activities in its Consolidated Statements of Cash Flows as a result of concerns raised by the staff of the SEC about the previous presentation. This reclassification primarily relates to the financing of wholesale receivables from dealers by GM’s Financing and Insurance Operations that result in no net cash receipts to GM on a consolidated basis when vehicles are sold. Because these receivables relate to the sale of GM’s inventory, changes in their balances are now considered operating cash flows in accordance with Statement of Financial Accounting Standards No. 95, “Statement of Cash Flows” (SFAS No. 95). This reclassification better reflects the financing of the sale of inventory as a non-cash transaction to GM on a consolidated basis and eliminates the effects of intercompany transactions. This reclassification did not affect the key measures of reported cash flow from operating or investing activities for Auto & Other as shown in the Supplemental Information to the Consolidated Statements of Cash Flows. GM’s operating cash flow measure, as reported using a management approach, is also unaffected by this change. See Note 1 to the Consolidated Financial Statements.

### Status of Debt Ratings

In 2004, GM and GMAC experienced adequate access to the capital markets as GM and GMAC were able to issue various securities to raise capital, consistent with GM’s and GMAC’s need for financial flexibility. On October 13, 2004, Fitch downgraded GM’s and GMAC’s long-term credit rating from BBB+ with a negative outlook to BBB with a negative outlook and, at the same time, affirmed GM’s and GMAC’s commercial paper rating at F2 with a negative outlook. On February 14, 2005, Fitch affirmed GM’s and GMAC’s ratings at these levels. On October 14, 2004, Standard & Poor’s (S&P) downgraded GM’s and GMAC’s long-term credit rating from BBB with a negative outlook to BBB- with a stable outlook and, at the same time, downgraded GM’s and GMAC’s commercial paper rating from A-2 with a negative outlook to A-3 with a stable outlook. On February 13, 2005, Standard & Poor’s affirmed GM’s and GMAC’s ratings at these levels. On October 25, 2004, Dominion Bond Rating Service (DBRS) downgraded GM’s and GMAC’s long-term credit rating from A (low) to BBB (high) with a stable outlook and, at the same time, affirmed GM’s and GMAC’s commercial paper rating at R-1 (low) with a stable outlook. On February 14, 2005, DBRS placed GM’s long-term credit rating of BBB (high) with a stable outlook and GM’s commercial paper rating of R-1 (low) with a stable outlook under review with negative implications. At the same time, DBRS affirmed both GMAC’s long-term credit rating of BBB

(high) with a stable outlook and GMAC’s commercial paper rating of R-1 (low) with a stable outlook. On November 4, 2004 Moody’s downgraded GM’s long-term credit rating from Baa1 with a negative outlook to Baa2 with a stable outlook and, at the same time, downgraded GMAC’s long-term credit rating from A3 with a negative outlook to Baa1 with a stable outlook. Moody’s affirmed GM’s and GMAC’s commercial paper rating at Prime-2 with a stable outlook. On February 14, 2005, Moody’s lowered the outlook on GM’s and GMAC’s long-term credit ratings of Baa2 and Baa1, respectively, to negative from stable and, at the same time, lowered the outlook on GM’s and GMAC’s commercial paper rating of Prime-2 to negative from stable. Refer to the table below for a summary of GM’s and GMAC’s credit ratings subsequent to these rating actions.

These rating actions are not expected to have a material effect on GM’s and GMAC’s ability to obtain bank credit or to sell term debt or asset-backed securities. A further decline in the long-term ratings assigned by any one of the agencies to non-investment grade could temporarily limit GM’s and GMAC’s access to the unsecured debt markets and could severely limit GM’s and GMAC’s ability to access the retail debt market for a period of time. Additionally, GM may not be assured reliable future access to the unsecured debt markets subsequent to being assigned a non-investment grade rating by one or more agencies. However, over the past few years, GM and GMAC have increased their focus on expanding and developing diversified funding sources. As a result, management expects that based on the Corporation’s current financial position, this diversified funding strategy will continue to provide sufficient access to capital in order to meet the Corporation’s ongoing funding needs. Accordingly, 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.

	GM	GMAC	GM	GMAC	GM	GMAC
Rating Agency	Senior Debt		Commercial Paper		Outlook	
DBRS	BBB (high)	BBB (high)	R-1 (low)	R-1 (low)	Stable – Under review	Stable
Fitch	BBB	BBB	F2	F2	Negative	Negative
Moody’s	Baa2	Baa1	Prime-2	Prime-2	Negative	Negative
S&P	BBB-	BBB-	A-3	A-3	Stable	Stable

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 \$0.9 billion in undrawn committed facilities with various maturities and undrawn uncommitted lines of credit of \$1.8 billion. Similarly, GMAC currently has a \$4.6 billion syndicated line of credit committed through June 2005, \$4.4 billion committed through June 2008, \$5.0 billion of bilateral committed lines with various maturities, and uncommitted lines of credit of \$22.6 billion. In addition, New Center Asset Trust (NCAT) has \$19.5 billion of liquidity facilities committed through June 2005. Mortgage Interest Networking Trust (MINT) has \$3.4 billion of liquidity facilities committed through April 2005. NCAT and MINT are special purpose entities administered by GMAC for the purpose of funding assets as part of GMAC’s securitization and mortgage warehouse funding programs.

## Liquidity and Capital Resources *(continued)*

These entities fund the purchase of assets through the issuance of asset-backed commercial paper and represent an important source of liquidity to GMAC. At December 31, 2004 NCAT had commercial paper outstanding of \$9.7 billion, which is not consolidated in the Corporation's Consolidated Balance Sheet. At December 31, 2004, MINT had commercial paper outstanding of \$1.5 billion, which is reflected as secured debt in the Corporation's Consolidated Balance Sheet. GMAC also has \$59.3 billion in funding commitments (with \$28.4 billion used) with third parties (including third party asset-backed commercial paper conduits) that may be used as additional secured funding sources.

### Automotive and Other Operations

At December 31, 2004, cash, marketable securities, and \$3.5 billion (\$3.4 billion at December 31, 2003) of readily-available assets of the VEBA trust totaled \$23.3 billion, compared with \$26.9 billion at December 31, 2003. The decrease of approximately 13% from December 31, 2003 was primarily due to VEBA and salaried 401(h) cash contributions of \$8.6 billion in 2004 by GM, offset by strong cash flow from operations and \$1.5 billion in dividends from GMAC. Total assets in the VEBA trust and 401(h) account used to pre-fund part of GM's other postretirement benefits liability approximated \$20.0 billion at December 31, 2004, compared with \$10.0 billion at December 31, 2003, an increase of 100%.

Long-term debt was \$30.5 billion at December 31, 2004, compared with \$29.6 billion at December 31, 2003. The ratio of long-term debt to the total of long-term debt and GM's net assets of Automotive and Other Operations was 84.7% at December 31, 2004, compared with 85.2% at December 31, 2003. 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 85.5% at December 31, 2004, compared with 86.3% at December 31, 2003. The decrease in these ratios was due to the improved funding status of GM's other postretirement benefits liabilities in the U.S.

Net liquidity, calculated as cash, marketable securities, and \$3.5 billion (\$3.4 billion at December 31, 2003) of assets of the VEBA trust invested in liquid securities less the total of loans payable and long-term debt, was a negative \$9.2 billion at December 31, 2004, compared with a negative \$5.5 billion at December 31, 2003.

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, 2004 and 2003, GM owed approximately \$1.0 billion and \$1.2 billion, respectively, 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 which 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. In 2004, GM did not elect to

defer payment on any such payables at any time during the year. 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&C P of BBB-, with a negative outlook (GM's current rating is BBB-, with a stable outlook) or below BBB-, or a rating by Moody's of Baa3, with a negative outlook (GM's current rating is Baa2, with a negative outlook) or below Baa3, GECC would be permitted to immediately terminate continued access to the program by GM and its suppliers. In 2004 GECC communicated to GM its intent to terminate the trade payables program by the end of 2005. Following the GECC communication, GM gave participating suppliers notice of the impending program termination, so those suppliers could develop alternative funding sources to replace the GECC program. GM does not anticipate that discontinuance of the future availability of the GECC program will result in a material disruption to the supply of parts and materials to GM, nor will 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 \$324.1 billion at December 31, 2004, approximately a 12% increase from \$288.2 billion at December 31, 2003. The increase in total assets was primarily due to an increase in net finance receivables and loans, from \$174.4 billion at December 31, 2003 to \$199.7 billion at December 31, 2004. The increased use of securitizations structured as financing transactions (primarily in mortgage operations) combined with the continued use of GM sponsored incentive financing programs, resulted in an increase in consumer finance receivables and loans. Additional asset growth was the result of an increase in commercial loans and the balance of cash and cash equivalents.

Consistent with the growth in assets, GMAC's total debt increased to \$267.8 billion at December 31, 2004, compared to \$238.9 billion at December 31, 2003. GMAC's 2004 year-end ratio of total debt to total stockholder's equity was 12.0:1 compared to 11.8:1 at December 31, 2003. 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. Part of GMAC's strategy in managing liquidity risk has been to develop diversified funding sources across a global investor base. As an important part of its overall funding and liquidity strategy, GMAC maintains substantial bank lines of credit. These bank lines of credit, which totaled \$59.4 billion at December 31, 2004, provide "back-up" liquidity and represent additional funding sources, if required. In addition, GMAC has \$59.3 billion in funding commitments (with \$28.4 billion used) through a variety of committed facilities with third parties (including third party asset-backed commercial paper conduits) that GMAC's Financing and Mortgage Operations may use as additional secured funding sources.

### Off-Balance Sheet Arrangements

GM and GMAC use off-balance sheet arrangements where economics and sound business principles warrant their use. GM's principal use of off-balance sheet arrangements occurs in connection with the securitization and sale of financial assets generated or acquired in the ordinary course of business by GMAC and its subsidiaries and, to a lesser extent, by GM. The assets securitized

## Liquidity and Capital Resources *(continued)*

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 the Financing and Insurance Operations have decreased over the past few years 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.

Assets in off-balance sheet entities were as follows:

	December 31	
(Dollars in millions)	2004	2003
<b>Automotive and Other Operations</b>		
Assets leased under operating leases	<b>\$2,553</b>	\$2,411
Trade receivables sold <sup>(1)</sup>	<b>1,210</b>	755
Total	<b>\$3,763</b>	\$3,166
<b>Financing and Insurance Operations</b>		
Receivables sold or securitized:		
– Mortgage loans	<b>\$79,043</b>	\$80,798
– Retail finance receivables	<b>5,615</b>	9,548
– Wholesale finance receivables	<b>21,291</b>	21,142
Total	<b>\$105,949</b>	\$111,488

(1) In addition, trade receivables sold to GMAC were \$549 million as of December 31, 2004 and \$586 million as of December 31, 2003.

### 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, 2004.

	Payments due by period				
(Dollars in millions)	2005	2006–2007	2008–2009	2010 and after	Total
Debt	\$ 2,062	\$ 814	\$ 1,896	\$27,715	\$ 32,487
Capital lease obligations	113	221	487	545	1,366
Operating lease obligations	467	964	1,341	1,340	4,112
Contractual commitments for capital expenditures	676	137	–	–	813
Other contractual commitments:					
Postretirement benefits <sup>(1)</sup>	3,373	7,201	–	–	10,574
Less: VEBA assets <sup>(2)</sup>	(3,373)	(7,201)	–	–	(10,574)
Net	–	–	–	–	–
Material	1,230	2,029	1,436	307	5,002
Information technology	324	287	27	–	638
Marketing	1,377	416	58	148	1,999
Facilities	273	262	174	477	1,186
Rental car repurchases	8,230	–	–	–	8,230
Policy, product warranty and recall campaigns liability	3,864	4,394	757	118	9,133
Total contractual commitments	<b>\$18,616</b>	<b>\$ 9,524</b>	<b>\$ 6,176</b>	<b>\$30,650</b>	<b>\$ 64,966</b>
Remaining balance postretirement benefits	\$ 804	\$ 1,606	\$ 9,670	\$54,820	\$ 66,900
Less: VEBA assets <sup>(2)</sup>	(804)	(1,606)	(7,032)	–	(9,442)
Net	\$ –	\$ –	\$ 2,638	\$54,820	\$ 57,458

(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. Amount includes \$4.0 billion VEBA asset contribution made in December 2004.

## Liquidity and Capital Resources *(concluded)*

The combined U.S. hourly and salaried pension plans were \$3.0 billion overfunded at year-end 2004. As a result, and under normal conditions, GM does not expect to make any contribution to its U.S. hourly and salaried pension plans for the foreseeable future.

The following table provides aggregated information about FIO outstanding contractual obligations and other long-term liabilities as of December 31, 2004.

(Dollars in millions)	Payments due by period				Total
	2005	2006-2007	2008-2009	2010 and after	
Debt	\$ 92,321	\$63,140	\$21,031	\$ 91,820	\$268,312
Operating lease obligations	195	288	156	147	786
Mortgage purchase and sale commitments	23,061	2,376	186	65	25,688
Lending commitments	16,468	2,974	999	4,501	24,942
Commitments to remit excess cash flows on certain loan portfolios	—	—	—	4,335	4,335
Commitments to sell retail automotive receivables	2,000	—	—	—	2,000
Commitments to provide capital to equity method investees	11	4	101	227	343
Purchase obligations	203	94	21	1	319
<b>Total contractual commitments</b>	<b>\$134,259</b>	<b>\$68,876</b>	<b>\$22,494</b>	<b>\$101,096</b>	<b>\$326,725</b>

## 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 \$49.06 at December 31, 2004, from \$44.96 at December 31, 2003.

## 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, 2004, the amount available for the payment of dividends on GM \$1-2/3 par value was \$29.7 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 2004, 2003, and 2002.

## Employment and Payrolls

Worldwide employment (In thousands)	at December 31,		
	2004	2003	2002
GMNA	181	190	198
GME	61	62	66
GMLAAM	29	23	24
GMAP	15	14	11
GMAC	34	32	32
Other	4	5	7
<b>Total employees</b>	<b>324</b>	<b>326</b>	<b>338</b>
Worldwide payrolls (in billions)	\$ 21.5	\$ 20.9	\$ 20.4
U.S. hourly payrolls (in billions) <sup>(1)</sup>	\$ 8.7	\$ 8.9	\$ 9.1
Average labor cost per active hour worked U.S. hourly <sup>(2)</sup>	\$73.73	\$78.39	\$62.78

(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 latter 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.

## Critical Accounting Estimates *(continued)*

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

GM has established for its U.S. pension plans a discount rate of 5.75% for year-end 2004, which represents a 25 basis point reduction from the 6.00% discount rate used at year-end 2003. GM's U.S. pre-tax pension expense is forecasted to decrease from approximately \$1.5 billion in 2004, excluding curtailments and settlements, to approximately \$1.2 billion in 2005 due to the approximately 14% 2004 actual return on assets, partially offset by a lower 2004 year-end discount rate.

The following information illustrates the sensitivity to a change in certain assumptions for U.S. pension plans (as of December 31, 2004 the projected benefit obligation [PBO] for U.S. pension plans was \$89 billion and the minimum pension liability charged to equity with respect to U.S. pension plans was \$108 million net of tax):

Change in Assumption	Effect on 2005 Pre-Tax Pension Expense	Effect on December 31, 2004 PBO
25 basis point decrease in discount rate	+\$160 million	+\$2.3 billion
25 basis point increase in discount rate	-\$160 million	-\$2.2 billion
25 basis point decrease in expected return on assets	+\$220 million	–
25 basis point increase in expected return on assets	-\$220 million	–

GM's U.S. pension plans generally provide covered U.S. hourly employees with pension benefits of negotiated, flat dollar amounts for each year of credited service earned by an individual employee. Formulas providing for such stated amounts are contained in the prevailing labor contract. Consistent with GAAP, the 2004 pre-tax pension expense and December 31, 2004 PBO do not comprehend any future benefit increases beyond the amounts stated in the currently prevailing contract that expires in September 2007. The current cycle for negotiating new labor contracts is every four years. There is no past practice of maintaining a consistent level of benefit increases or decreases from one contract to the next. However, the following data illustrates the sensitivity of pension expense and PBO to hypothetical assumed changes in future basic benefits. An annual 1% increase in the basic benefit of the U.S. Hourly Employees Pension Plan would result in a \$112 million increase in 2005 pre-tax pension expense and a \$523 million increase in the December 31, 2004 PBO. An annual 1% decrease in the same benefit would result in a \$104 million decrease in 2005 pre-tax pension expense and a \$487 million decrease in the December 31, 2004 PBO.

These changes in assumptions would have no effect on GM's funding requirements. In addition, at December 31, 2004, a 25 basis point decrease in the discount rate would decrease stockholders' equity by \$19.0 million, net of tax; a 25 basis point increase in the discount rate would increase stockholders' equity by \$19.0 million, net of tax. The impact of greater than a 25 basis point decrease/increase in discount rate would not be proportional to the first 25 basis point decrease/increase in the discount rate.

GM has established for its U.S. OPEB plans a discount rate of 5.75% for year-end 2004, which represents a 50 basis point reduction from the 6.25% discount rate used at year-end 2003.

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 \$77.5 billion as of December 31, 2004):

Change in Assumption	Effect on 2005 Pre-Tax OPEB Expense	Effect on December 31, 2004 APBO
25 basis point decrease in discount rate	+\$200 million	+\$2.1 billion
25 basis point increase in discount rate	-\$200 million	-\$2.1 billion

GM assumes a 10.5% initial health care cost trend rate and a 5.0% ultimate health care cost trend rate as of December 31, 2004. A one percentage point increase in the initial through ultimate assumed health care trend rates would have increased the APBO by \$8.4 billion at December 31, 2004, and the aggregate service and interest cost components of non-pension postretirement benefit expense for 2004 by \$543 million. A one-percentage point decrease would have decreased the APBO by \$7.0 billion and the aggregate service and interest cost components of non-pension postretirement benefit expense for 2004 by \$384 million.

## Critical Accounting Estimates *(concluded)*

The above sensitivities reflect the effect 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, or one-time termination benefits not subject to a contractual agreement, in connection with closed plants or other restructuring actions. The liabilities are based on comprehensive studies that consider the effect 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 estimated realizable value of collateral where applicable and the adequacy of the allowance for credit losses, based on historical and current trends and other factors affecting credit quality losses. Determination of the allowance for credit losses requires management to exercise significant judgment about the timing, frequency, and severity of credit losses, which could materially affect the provision for credit losses and therefore, net income.

**Investments in Operating Leases** – GMAC's investments in its leasing portfolio represent an estimate of the realizable values of the assets which is based on the residual value established at contract inception. GMAC establishes residual values at contract inception by using independently published residual value guides. 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 exceed-

ing the estimated fair market value of those purchased or assumed mortgage servicing rights. The carrying value of mortgage servicing rights is dependent upon whether the asset is hedged or not. Mortgage servicing rights that receive hedge accounting treatment, as prescribed by SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," are carried at fair value. Changes in fair value are recognized in current period earnings, generally offset by changes in the fair value of the underlying derivative, if the changes in the value of the asset and derivative are highly correlated. The majority of mortgage servicing rights are hedged as part of the Corporation's risk management program. Mortgage servicing rights that do not receive hedge accounting treatment are carried at lower of cost or fair value.

**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. The Corporation accounts for its derivatives on the Consolidated Balance Sheet as assets or liabilities at fair value in accordance with SFAS No. 133. Such accounting is complex and requires 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 value 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 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. 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.

## New Accounting Standards *(concluded)*

In December 2004, the Financial Accounting Standards Board (FASB) revised SFAS No. 123 (SFAS No. 123R) requiring companies to record share-based payment transactions as compensation expense at fair market value. SFAS No. 123R further defines the concept of fair market value as it relates to such arrangements. The provisions of this statement will be effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The Corporation began expensing the fair market value of newly granted stock options and other stock-based compensation awards to employees pursuant to SFAS No. 123 in 2003; therefore this statement is not expected to have a material effect on GM's consolidated financial position or results of operations.

Effective July 1, 2003, the Corporation began consolidating certain variable interest entities to conform to FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). GM adopted the revision to FIN 46, FIN 46R, which clarified certain provisions of the original interpretation and exempted certain entities from its requirements. As of January 1, 2004, the adoption of FIN 46R did not have a significant effect on the Corporation's financial condition or results of operations.

On May 19, 2004 the FASB released FASB Staff Position FAS No. 106-2 (FSP 106-2), which provides accounting guidance with respect to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the Medicare Act). FSP 106-2 provides guidance on accounting for the prescription drug benefit of the Medicare Act, prescribes the transition to the new guidance, and sets forth new disclosure requirements. GM's adoption as of July 1, 2004 of the accounting provisions of FSP 106-2 did not have a significant effect on the Corporation's financial condition or results of operations. Refer to Note 16 to the Consolidated Financial Statements for the disclosures required by FSP 106-2.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." SFAS No. 151 amends the guidance in ARB No. 43, "Inventory Pricing," for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) requiring that those items be recognized as current-period expenses regardless of whether they meet the criterion of "so abnormal." This statement also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The statement is effective for inventory costs incurred during the fiscal years beginning after June 15, 2005. Management does not expect this statement to have a material impact on GM's consolidated financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29." APB Opinion No. 29, "Accounting for Nonmonetary Transactions," is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. SFAS No. 153 amends APB Opinion No. 29, eliminating the exception to fair value accounting for nonmonetary exchanges of similar productive assets and replaces it with a general exception to fair value accounting for nonmonetary exchanges that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Management does not expect this statement to have a material impact on GM's consolidated financial position or results of operations.

## 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

## Additional Matters *(concluded)*

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 decreased last year after increasing 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. 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 18 and 20 to the Consolidated Financial Statements.

## Quantitative and Qualitative Disclosures About Market Risk *(concluded)*

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, 2004, the net fair value liability of financial instruments with exposure to foreign currency risk was approximately \$5.8 billion compared to a net fair value liability of \$3.2 billion at December 31, 2003. The potential loss in fair value for such financial instruments from a 10% adverse change in quoted foreign currency exchange rates would be approximately \$1.2 billion and \$744 million for 2004 and 2003, 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 related to securitization activities. 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, 2004 and 2003, the net fair value liability of financial instruments held for purposes other than trading with exposure to interest rate risk was approximately \$51.1 billion and \$51.5 billion, respectively. The potential loss in fair value resulting from a 10% adverse shift in quoted interest rates would be approximately \$3.0 billion and \$2.7 billion for 2004 and 2003, respectively. At December 31, 2004 and 2003, the net fair value asset of financial instruments held for trading purposes with exposure to interest rate risk was approximately \$3.5 billion and \$4.1 billion, respectively. The potential loss in fair value resulting from a 10% adverse shift in quoted interest rates would be approximately \$33 million and \$11 million for 2004 and 2003, 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, 2004 the net fair value asset of such contracts was approximately \$431 million. At December 31, 2003 the net fair value liability of such contracts was \$194 million. The potential loss in fair value resulting from a 10% adverse change in the underlying commodity prices would be approximately \$264 million and \$190 million for 2004 and 2003, 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, 2004 and 2003, the fair value of such investments was approximately \$2.6 billion and \$2.2 billion, respectively. The potential loss in fair value resulting from a 10% adverse change in equity prices would be approximately \$258 million and \$216 million for 2004 and 2003, respectively.

## 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, 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.

Deloitte & Touche LLP, an independent auditing firm, has audited the consolidated financial statements of General Motors and subsidiaries; its report is included herein. The audit was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Board of Directors, through the Audit Committee (composed entirely of independent directors), is responsible for overseeing management's fulfillment of 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, and to ensure that each is properly discharging its responsibilities. 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 its directors, officers, and employees, including the Chief Executive Officer, Chief Financial Officer, 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."

GM submitted a Section 12(a) Certification executed by GM's Chairman and Chief Executive Officer to the New York Stock Exchange in 2004.

GM filed certifications executed by GM's Chairman and Chief Executive Officer and Vice Chairman and Chief Financial Officer with the U.S. Securities and Exchange Commission pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the Annual Report on Form 10-K for the year ended December 31, 2004.

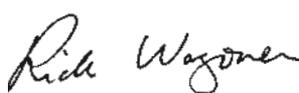
## Internal Controls Over Financial Reporting and Disclosure Controls

General Motors' management is responsible for establishing and maintaining internal controls over financial reporting and disclosure controls. Internal controls over financial reporting are designed to provide reasonable assurance that the books and records reflect the transactions of General Motors Corporation and subsidiaries and that established policies and procedures are carefully followed. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is appropriately 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.

Management has conducted an evaluation of General Motors' internal control over financial reporting using the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission as a basis to evaluate effectiveness and determined that internal control over financial reporting was effective on December 31, 2004. 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 U.S. Securities and Exchange Commission.

Deloitte & Touche LLP has audited this assessment of General Motors' internal controls over financial reporting; their report is included below.



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



John M. Devine  
Vice Chairman and  
Chief Financial Officer



Paul W. Schmidt  
Controller



Peter R. Bible  
Chief Accounting Officer

## Report of Independent Registered Public Accounting Firm

### General Motors Corporation, its Directors, and Stockholders:

We have audited management's assessment, included above under the heading "Internal Controls Over Financial Reporting and Disclosure Controls," that General Motors Corporation and subsidiaries (the Corporation) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation's management is responsible for maintaining effective

internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial

reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

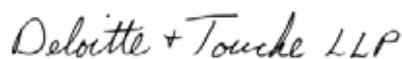
A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projec-

tions of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Corporation maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet and the related Consolidated Statements of Income, Cash Flows, and Stockholders' Equity of the Corporation as of and for the year ended December 31, 2004. Our audit also included the Supplemental Information to the Consolidated Balance Sheet and Consolidated Statements of Income and Cash Flows (the financial statement schedules) as of and for the year ended December 31, 2004. Our report dated March 14, 2005 expressed an unqualified opinion on those financial statements and financial statement schedules.



Detroit, Michigan  
March 14, 2005

## Report of Independent Registered Public Accounting Firm

### 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, 2004 and 2003, and the related Consolidated Statements of Income, Cash Flows, and Stockholders' Equity for each of the three years in the period ended December 31, 2004. 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 the standards of the Public Company Accounting Oversight Board (United States). 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, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, 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*, and (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 No. 123, *Accounting for Stock-Based Compensation*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Corporation's internal control over financial reporting and an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting.



Detroit, Michigan  
March 14, 2005

## Consolidated Statements of Income

(Dollars in millions except per share amounts) Years ended December 31,

	2004	2003	2002
<b>GENERAL MOTORS CORPORATION AND SUBSIDIARIES</b>			
Total net sales and revenues (Notes 1 and 23)	<b>\$193,517</b>	\$185,837	\$177,867
Cost of sales and other expenses	<b>159,951</b>	152,435	147,192
Selling, general, and administrative expenses	<b>20,394</b>	20,957	20,834
Interest expense (Note 15)	<b>11,980</b>	9,464	7,503
<i>Total costs and expenses</i>	<b>192,325</b>	182,856	175,529
<i>Income from continuing operations before income taxes, equity income and minority interests</i>	<b>1,192</b>	2,981	2,338
Income tax (benefit) expense (Note 10)	<b>(911)</b>	731	644
Equity income and minority interests	<b>702</b>	612	281
<i>Income from continuing operations</i>	<b>2,805</b>	2,862	1,975
(Loss) from discontinued operations (Note 2)	-	(219)	(239)
Gain on sale of discontinued operations	-	1,179	-
<i>Net income</i>	<b>2,805</b>	3,822	1,736
Dividends on preference stocks	-	-	(46)
<i>Earnings attributable to common stocks (Note 19)</i>	<b>\$ 2,805</b>	\$ 3,822	\$ 1,690
<b>Basic earnings (loss) per share attributable to common stocks</b>			
\$1-2/3 par value			
Continuing operations	<b>\$ 4.97</b>	\$ 5.10	\$ 3.53
Discontinued operations	<b>\$ -</b>	\$ 2.14	\$ (0.16)
Earnings per share attributable to \$1-2/3 par value	<b>\$ 4.97</b>	\$ 7.24	\$ 3.37
(Losses) per share from discontinued operations attributable to Class H	<b>\$ -</b>	\$ (0.22)	\$ (0.21)
<b>Earnings (loss) per share attributable to common stocks assuming dilution</b>			
\$1-2/3 par value			
Continuing operations	<b>\$ 4.95</b>	\$ 5.03	\$ 3.51
Discontinued operations	<b>\$ -</b>	\$ 2.11	\$ (0.16)
Earnings per share attributable to \$1-2/3 par value	<b>\$ 4.95</b>	\$ 7.14	\$ 3.35
(Losses) per share from discontinued operations attributable to Class H	<b>\$ -</b>	\$ (0.22)	\$ (0.21)

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

## Supplemental Information to the Consolidated Statements of Income

<i>(Dollars in millions) Years ended December 31,</i>	<b>2004</b>	2003	2002
<b>AUTOMOTIVE AND OTHER OPERATIONS</b>			
Total net sales and revenues (Notes 1 and 23)	<b>\$161,545</b>	\$155,831	\$150,250
Cost of sales and other expenses	<b>150,053</b>	143,525	138,397
Selling, general, and administrative expenses	<b>11,863</b>	11,737	11,680
<i>Total costs and expenses</i>	<b>161,916</b>	155,262	150,077
Interest expense (Note 15)	<b>2,480</b>	1,780	479
Net expense from transactions with Financing and Insurance Operations (Note 1)	<b>273</b>	297	327
<i>(Loss) from continuing operations before income taxes, equity income, and minority interests</i>	<b>(3,124)</b>	(1,508)	(633)
Income tax (benefit) (Note 10)	<b>(2,325)</b>	(869)	(378)
Equity income and minority interests	<b>710</b>	674	348
<i>Income (loss) from continuing operations</i>	<b>(89)</b>	35	93
(Loss) from discontinued operations (Note 2)	–	(219)	(239)
Gain on sale of discontinued operations	–	1,179	–
<i>Net income (loss) – Automotive and Other Operations</i>	<b>\$ (89)</b>	\$ 995	\$ (146)

<i>(Dollars in millions) Years ended December 31,</i>	<b>2004</b>	2003	2002
<b>FINANCING AND INSURANCE OPERATIONS</b>			
Total revenues	<b>\$ 31,972</b>	\$ 30,006	\$ 27,617
Interest expense (Note 15)	<b>9,500</b>	7,684	7,024
Depreciation and amortization expense (Note 11)	<b>5,523</b>	5,567	5,245
Operating and other expenses	<b>8,591</b>	8,604	8,519
Provisions for financing and insurance losses (Note 1)	<b>4,315</b>	3,959	4,185
<i>Total costs and expenses</i>	<b>27,929</b>	25,814	24,973
Net income from transactions with Automotive and Other Operations (Note 1)	<b>(273)</b>	(297)	(327)
Income before income taxes, equity income, and minority interests	<b>4,316</b>	4,489	2,971
Income tax expense (Note 10)	<b>1,414</b>	1,600	1,022
Equity income (loss) and minority interests	<b>(8)</b>	(62)	(67)
<i>Net income – Financing and Insurance Operations</i>	<b>\$ 2,894</b>	\$ 2,827	\$ 1,882

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,

2004

2003

### GENERAL MOTORS CORPORATION AND SUBSIDIARIES

#### ASSETS

Cash and cash equivalents (Note 1)	<b>\$ 35,993</b>	\$ 32,554
Other marketable securities (Note 5)	<b>21,737</b>	22,215
Total cash and marketable securities	<b>57,730</b>	54,769
Finance receivables – net (Note 7)	<b>199,600</b>	174,769
Loans held for sale	<b>19,934</b>	19,609
Accounts and notes receivable (less allowances)	<b>21,236</b>	20,532
Inventories (less allowances) (Note 8)	<b>12,247</b>	11,602
Deferred income taxes (Note 10)	<b>26,241</b>	27,190
Net equipment on operating leases (less accumulated depreciation) (Note 9)	<b>34,214</b>	32,751
Equity in net assets of nonconsolidated affiliates	<b>6,776</b>	6,032
Property – net (Note 11)	<b>39,020</b>	37,972
Intangible assets – net (Notes 1 and 12)	<b>4,925</b>	4,760
Other assets (Note 13)	<b>57,680</b>	58,521
<i>Total assets</i>	<b>\$479,603</b>	\$448,507

#### LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable (principally trade)	<b>\$ 28,830</b>	\$ 25,422
Notes and loans payable (Note 15)	<b>300,279</b>	271,756
Postretirement benefits other than pensions (Note 16)	<b>28,111</b>	36,292
Pensions (Note 16)	<b>9,455</b>	8,024
Deferred income taxes (Notes 10 and 14)	<b>7,078</b>	7,508
Accrued expenses and other liabilities (Note 14)	<b>77,727</b>	73,930
<i>Total liabilities</i>	<b>451,480</b>	422,932
Minority interests	<b>397</b>	307
<b>Stockholders' equity</b> (Note 18)		
\$1-2/3 par value common stock (outstanding, 565,132,021 and 561,997,725 shares)	<b>942</b>	937
Capital surplus (principally additional paid-in capital)	<b>15,241</b>	15,185
Retained earnings	<b>14,428</b>	12,752
Subtotal	<b>30,611</b>	28,874
Accumulated foreign currency translation adjustments	<b>(1,194)</b>	(1,815)
Net unrealized gains on derivatives	<b>589</b>	51
Net unrealized gains on securities	<b>751</b>	618
Minimum pension liability adjustment	<b>(3,031)</b>	(2,460)
Accumulated other comprehensive loss	<b>(2,885)</b>	(3,606)
<i>Total stockholders' equity</i>	<b>27,726</b>	25,268
<i>Total liabilities and stockholders' equity</i>	<b>\$479,603</b>	\$448,507

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

## Supplemental Information to the Consolidated Balance Sheets

(Dollars in millions) December 31,

2004

2003

### ASSETS

#### Automotive and Other Operations

Cash and cash equivalents (Note 1)	\$ 13,148	\$ 14,424
Marketable securities (Note 5)	6,655	9,067
Total cash and marketable securities	19,803	23,491
Accounts and notes receivable (less allowances)	6,713	5,380
Inventories (less allowances) (Note 8)	11,717	10,960
Net equipment on operating leases (less accumulated depreciation) (Note 9)	6,488	7,173
Deferred income taxes and other current assets (Note 10)	10,794	10,851
Total current assets	55,515	57,855
Equity in net assets of nonconsolidated affiliates	6,776	6,032
Property – net (Note 11)	37,170	36,071
Intangible assets – net (Notes 1 and 12)	1,599	1,479
Deferred income taxes (Note 10)	17,399	18,086
Other assets (Note 13)	40,844	42,262
Total Automotive and Other Operations assets	159,303	161,785

#### Financing and Insurance Operations

Cash and cash equivalents (Note 1)	22,845	18,130
Investments in securities (Note 5)	15,082	13,148
Finance receivables – net (Note 7)	199,600	174,769
Loans held for sale	19,934	19,609
Net equipment on operating leases (less accumulated depreciation) (Note 9)	27,726	25,578
Other assets (Note 13)	35,113	35,488
Net receivable from Automotive and Other Operations (Note 1)	2,426	1,492
Total Financing and Insurance Operations assets	322,726	288,214
Total assets	\$482,029	\$449,999

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### Automotive and Other Operations

Accounts payable (principally trade)	\$ 24,257	\$ 21,542
Loans payable (Note 15)	2,062	2,813
Accrued expenses (Note 14)	46,147	45,417
Net payable to Financing and Insurance Operations (Note 1)	2,426	1,492
Total current liabilities	74,892	71,264
Long-term debt (Note 15)	30,460	29,593
Postretirement benefits other than pensions (Note 16)	23,406	32,285
Pensions (Note 16)	9,371	7,952
Other liabilities and deferred income taxes (Notes 10 and 14)	15,657	15,567
Total Automotive and Other Operations liabilities	153,786	156,661

#### Financing and Insurance Operations

Accounts payable	4,573	3,880
Debt (Note 15)	267,757	239,350
Other liabilities and deferred income taxes (Notes 10 and 14)	27,790	24,533
Total Financing and Insurance Operations liabilities	300,120	267,763
Total liabilities	453,906	424,424
Minority interests	397	307
Total stockholders' equity	27,726	25,268
Total liabilities and stockholders' equity	\$482,029	\$449,999

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

<i>(Dollars in millions) For the years ended December 31,</i>	<b>2004</b>	2003	2002
<b>Cash flows from operating activities</b>			
Income from continuing operations	<b>\$ 2,805</b>	\$ 2,862	\$ 1,975
Adjustments to reconcile income from continuing operations to net cash provided by operating activities			
Depreciation and amortization expenses	<b>14,152</b>	13,513	11,569
Mortgage servicing rights amortization	<b>1,384</b>	1,602	3,871
Provision for financing losses	<b>1,944</b>	1,721	2,153
Other postretirement employee benefit (OPEB) expense	<b>4,567</b>	4,599	4,108
OPEB payments	<b>(3,974)</b>	(3,536)	(3,334)
VEBA/401(h) (contributions)	<b>(8,618)</b>	(3,000)	(1,000)
Pension expense	<b>2,456</b>	3,412	1,780
Pension contributions	<b>(919)</b>	(18,168)	(5,156)
Retiree lump sum and vehicle voucher expense, net of payments	<b>(329)</b>	923	(254)
Net change in mortgage loans	<b>445</b>	456	(4,715)
Net change in mortgage securities	<b>597</b>	236	(656)
Change in other investments and miscellaneous assets	<b>57</b>	416	1,914
Change in other operating assets and liabilities (Note 1)	<b>(1,628)</b>	(2,277)	(3,391)
Other	<b>122</b>	197	2,211
<b>Net cash provided by operating activities (Note 1)</b>	<b>\$ 13,061</b>	\$ 2,956	\$ 11,075
<b>Cash flows from investing activities</b>			
Expenditures for property	<b>(7,753)</b>	(7,091)	(6,871)
Investments in marketable securities – acquisitions	<b>(15,278)</b>	(28,660)	(39,386)
Investments in marketable securities – liquidations	<b>15,350</b>	24,253	35,688
Net change in mortgage servicing rights	<b>(1,554)</b>	(2,557)	(1,711)
Increase in finance receivables	<b>(40,278)</b>	(59,978)	(51,081)
Proceeds from sale of finance receivables	<b>23,385</b>	22,182	30,013
Proceeds from sale of business units	<b>–</b>	4,148	–
Operating leases – acquisitions	<b>(14,324)</b>	(11,032)	(16,070)
Operating leases – liquidations	<b>7,696</b>	9,604	13,504
Investments in companies, net of cash acquired (Note 1)	<b>(60)</b>	(201)	(870)
Other	<b>1,048</b>	(1,516)	667
<b>Net cash (used in) investing activities (Note 1)</b>	<b>(31,768)</b>	(50,848)	(36,117)
<b>Cash flows from financing activities</b>			
Net increase in loans payable	<b>2,192</b>	235	770
Long-term debt – borrowings	<b>73,511</b>	97,391	51,411
Long-term debt – repayments	<b>(57,822)</b>	(38,962)	(24,365)
Repurchases of common and preference stocks	<b>–</b>	–	(97)
Proceeds from issuing common stocks	<b>–</b>	–	62
Proceeds from sales of treasury stocks	<b>–</b>	60	19
Cash dividends paid to stockholders	<b>(1,129)</b>	(1,121)	(1,121)
Other	<b>4,723</b>	1,319	333
<b>Net cash provided by financing activities</b>	<b>21,475</b>	58,922	27,012
<b>Net cash provided by discontinued operations</b>	<b>–</b>	275	–
Effect of exchange rate changes on cash and cash equivalents	<b>671</b>	929	495
Net increase in cash and cash equivalents	<b>3,439</b>	12,234	2,465
Cash and cash equivalents at beginning of the year	<b>32,554</b>	20,320	17,855
<b>Cash and cash equivalents at end of the year</b>	<b>\$ 35,993</b>	\$ 32,554	\$ 20,320

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,					
	2004		2003		2002	
	Automotive and Other Operations	Financing and Insurance	Automotive and Other Operations	Financing and Insurance	Automotive and Other Operations	Financing and Insurance
<b>Cash flows from operating activities</b>						
Income (loss) from continuing operations	\$ (89)	\$ 2,894	\$ 35	\$ 2,827	\$ 93	\$ 1,882
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities						
Depreciation and amortization expenses	8,629	5,523	7,946	5,567	6,324	5,245
Mortgage servicing rights amortization	–	1,384	–	1,602	–	3,871
Provision for financing losses	–	1,944	–	1,721	–	2,153
Postretirement benefits other than pensions, net of payments and VEBA contributions	(8,039)	14	(1,957)	20	(241)	15
Pension expense, net of contributions	1,174	34	(13,869)	36	(3,639)	9
Net change in mortgage loans	–	445	–	456	–	(4,715)
Net change in mortgage securities	–	597	–	236	–	(656)
Change in other investments and miscellaneous assets	(48)	105	(200)	616	2,064	(150)
Change in other operating assets and liabilities (Note 1)	(307)	(1,321)	3,067	(5,344)	3,808	(7,199)
Other	(102)	224	(348)	545	(398)	2,609
<i>Net cash provided by (used in) operating activities</i>	<b>\$ 1,218</b>	<b>\$ 11,843</b>	\$ (5,326)	\$ 8,282	\$ 8,011	\$ 3,064
<b>Cash flows from investing activities</b>						
Expenditures for property	(7,284)	(469)	(6,616)	(475)	(6,414)	(457)
Investments in marketable securities – acquisitions	(2,209)	(13,069)	(13,138)	(15,522)	(2,228)	(37,158)
Investments in marketable securities – liquidations	4,609	10,741	7,109	17,144	873	34,815
Net change in mortgage servicing rights	–	(1,554)	–	(2,557)	–	(1,711)
Increase in finance receivables	–	(40,278)	–	(59,978)	–	(51,081)
Proceeds from sales of finance receivables	–	23,385	–	22,182	–	30,013
Proceeds from sale of business units	–	–	4,148	–	–	–
Operating leases – acquisitions	–	(14,324)	–	(11,032)	–	(16,070)
Operating leases – liquidations	–	7,696	–	9,604	–	13,504
Investments in companies, net of cash acquired (Note 1)	(48)	(12)	(57)	(144)	(688)	(182)
Net investing activity with Financing and Insurance Operations	1,500	–	1,000	–	400	–
Other	882	166	332	(1,848)	1,513	(846)
<i>Net cash (used in) investing activities</i>	<b>(2,550)</b>	<b>(27,718)</b>	(7,222)	(42,626)	(6,544)	(29,173)
<b>Cash flows from financing activities</b>						
Net (decrease) increase in loans payable	(803)	2,995	(234)	469	(335)	1,105
Long-term debt – borrowings	758	72,753	14,785	82,606	4,562	46,849
Long-term debt – repayments	(79)	(57,743)	(19)	(38,943)	(145)	(24,220)
Net financing activity with Automotive and Other Operations	–	(1,500)	–	(1,000)	–	(400)
Repurchases of common and preference stocks	–	–	–	–	(97)	–
Proceeds from issuing common stocks	–	–	–	–	62	–
Proceeds from sales of treasury stocks	–	–	60	–	19	–
Cash dividends paid to stockholders	(1,129)	–	(1,121)	–	(1,121)	–
Other	–	4,723	–	1,319	–	333
<i>Net cash (used in) provided by financing activities</i>	<b>(1,253)</b>	<b>21,228</b>	13,471	44,451	2,945	23,667
<i>Net cash provided by discontinued operations</i>	–	–	275	–	–	–
Effect of exchange rate changes on cash and cash equivalents	375	296	661	268	485	10
Net transactions with Automotive/Financing Operations	934	(934)	403	(403)	(467)	467
Net (decrease) increase in cash and cash equivalents	(1,276)	4,715	2,262	9,972	4,430	(1,965)
Cash and cash equivalents at beginning of the year	14,424	18,130	12,162	8,158	7,732	10,123
<i>Cash and cash equivalents at end of the year</i>	<b>\$13,148</b>	<b>\$ 22,845</b>	\$ 14,424	\$ 18,130	\$12,162	\$ 8,158

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

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

## Consolidated Statements of Stockholders' Equity

<i>(Dollars in millions)</i>	Total Capital Stock	Capital Surplus	Comprehensive Income (Loss)	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
<i>Balance at January 1, 2002</i>	\$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)
<i>Balance at December 31, 2002</i>	\$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 gains 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 (a)	—	—		20	—	20
Cash dividends	—	—		(1,121)	—	(1,121)
<i>Balance at December 31, 2003</i>	\$ 937	\$15,185		\$12,752	\$ (3,606)	\$ 25,268
Shares issued	5	138		—	—	143
Comprehensive income:						
Net income	—	—	\$ 2,805	2,805	—	2,805
Other comprehensive income:						
Foreign currency translation adjustments	—	—	621	—	—	—
Unrealized gains on derivatives	—	—	538	—	—	—
Unrealized gains on securities	—	—	133	—	—	—
Minimum pension liability adjustment	—	—	(571)	—	—	—
Other comprehensive income	—	—	721	—	721	721
Comprehensive income	—	—	\$ 3,526	—	—	—
Stock options		(82)				(82)
Cash dividends	—	—		(1,129)	—	(1,129)
<b><i>Balance at December 31, 2004</i></b>	<b>\$ 942</b>	<b>\$15,241</b>		<b>\$14,428</b>	<b>\$ (2,885)</b>	<b>\$ 27,726</b>

(a) 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.

## 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, 2004, filed separately with the U.S. Securities and Exchange Commission (SEC).

Certain amounts for 2003 and 2002 have been reclassified to conform with the 2004 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). A master intercompany agreement governs the nature of these transactions to ensure that they are done on an arms length basis, in accordance with commercially reasonable standards.

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.

### Statements of Cash Flows

After considering the concerns raised by the staff of the SEC, management has concluded that certain prior year balances in the Consolidated Statements of Cash Flows should be reclassified to appropriately present net cash provided by operating activities and net cash used in investing activities.

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

the financing of the sale of inventory as a non-cash transaction to GM on a consolidated basis and eliminates the effects of intercompany transactions. The following table shows the effects of this reclassification on prior years, consistent with the 2004 presentation.

(Dollars in millions)	Years ended December 31,	
	2003	2002
Net cash provided by operating activities as previously reported	\$ 7,600	\$ 15,482
Reclassification	(4,644)	(4,407)
Revised net cash provided by operating activities	\$ 2,956	\$ 11,075
Net cash used in investing activities as previously reported	\$(55,492)	\$(40,524)
Reclassification	4,644	4,407
Revised net cash used in investing activities	\$(50,848)	\$(36,117)

### 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 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 \$5.1 billion in 2004, \$4.7 billion in 2003, and \$4.4 billion in 2002. Research and development expense was \$6.5 billion in 2004, \$6.2 billion in 2003 and \$6.0 billion in 2002.

### 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

## Note 1 Significant Accounting Policies *(continued)*

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. For Auto & Other, 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 sales allowances.

### 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.

### 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 2004, 2003, and 2002, pursuant to SFAS No. 52, "Foreign Currency Translation," amounted to \$167 million, \$122 million, and \$103 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 14.)

### Exit or Disposal Activities

Costs to consolidate or close facilities and relocate employees are expensed as incurred. Costs to terminate a contract without economic benefit to the Corporation are expensed at the time the contract is terminated. One-time termination benefits that are not subject to contractual arrangements provided to employees who are involuntarily terminated are recorded when management commits to a detailed plan of termination, that plan is communicated to employees, and actions required to complete the plan indicate that significant changes are not likely. If employees are required to render service until they are terminated in order to earn the termination benefit, the benefits are recognized ratably over the future service period.

### 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)	2004	2003	2002
<b>Automotive and Other Operations</b>			
Increase (decrease) in cash due to changes in other operating assets and liabilities was as follows:			
Accounts receivable	\$ (284)	\$ (575)	\$ (93)
Prepaid expenses and other deferred charges	42	(578)	268
Inventories	(156)	(518)	221
Accounts payable	1,723	2,400	1,053
Deferred taxes and income taxes payable	(329)	2,219	(1,825)
Accrued expenses and other liabilities	(143)	3,049	5,517
Fleet rental – acquisitions	(7,846)	(7,761)	(5,595)
Fleet rental – liquidations	6,686	4,831	4,262
<b>Total</b>	<b>\$ (307)</b>	<b>\$ 3,067</b>	<b>\$ 3,808</b>
Cash paid for interest	\$ 2,508	\$ 1,398	\$ 1,033

During 2004 and 2003, Auto & Other made investments in companies, net of cash acquired, of approximately \$50 million and \$60 million, respectively. 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 (GM-DAT) for approximately \$251 million and GM's investments in Isuzu-related entities for \$180 million.

	Years ended December 31,		
(Dollars in millions)	2004	2003	2002
<b>Financing and Insurance Operations</b>			
Increase (decrease) in cash due to changes in other operating assets and liabilities was as follows:			
Other receivables	\$ 419	\$(5,236)	\$(6,716)
Other assets	(111)	186	(241)
Accounts payable and other liabilities	(1,008)	1,664	(925)
Deferred taxes and income taxes payable	(621)	(1,958)	683
<b>Total</b>	<b>\$(1,321)</b>	<b>\$(5,344)</b>	<b>\$(7,199)</b>
Cash paid for interest	\$ 8,887	\$ 6,965	\$ 6,333

FIO made investments in companies, net of cash acquired, of approximately \$10 million, \$140 million, and \$180 million, in 2004, 2003, and 2002, respectively.

### 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 comprehensive income (loss). Amounts are reclassified from accumulated other comprehensive income (loss) when the underlying hedged item affects earnings. All ineffective

## Note 1 Significant Accounting Policies *(continued)*

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 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 par value common stock on the date of grant. The total expense for 2004 and 2003 was \$61 million (\$38 million net of tax) and \$229 million (\$142 million net of tax), respectively, 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):

	<i>Years ended December 31,</i>		
	<b>2004</b>	2003	2002
Net income from continuing operations, as reported	<b>\$2,805</b>	\$2,862	\$1,975
Add: stock-based compensation expense, included in reported net income, net of related tax effects	<b>38</b>	142	44
Deduct: total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	<b>(52)</b>	(195)	(187)
Pro forma net income from continuing operations	<b>\$2,791</b>	\$2,809	\$1,832
Basic earnings per share from continuing operations attributable to GM \$1-2/3 par value			
– as reported	<b>\$ 4.97</b>	\$ 5.10	\$ 3.53
– pro forma	<b>\$ 4.94</b>	\$ 5.01	\$ 3.27
Diluted earnings per share from continuing operations attributable to GM \$1-2/3 par value			
– as reported	<b>\$ 4.95</b>	\$ 5.03	\$ 3.51
– pro forma	<b>\$ 4.92</b>	\$ 4.93	\$ 3.26

In December 2004, the Financial Accounting Standards Board (FASB) revised SFAS No. 123 (SFAS No. 123R) requiring companies to record share-based payment transactions as compensation expense at fair market value. SFAS No. 123R further defines the concept of fair market value as it relates to such arrangements. The provisions of this statement will be effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The Corporation began expensing the fair market value of newly granted stock options and other stock-based compensation awards to employees pursuant to SFAS No. 123 in 2003; therefore this statement is not expected to have a material effect on GM's consolidated financial position or results of operations.

Effective July 1, 2003, the Corporation began consolidating certain variable interest entities to conform to FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). GM adopted the revision to FIN 46, FIN 46R, which clarified certain provisions of the original interpretation and exempted certain entities from its requirements. As of January 1, 2004, the adoption of FIN 46R did not have a significant effect on the Corporation's financial condition or results of operations.

On May 19, 2004 the FASB released FASB Staff Position FAS No. 106-2 (FSP 106-2), which provides accounting guidance with respect to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the Medicare Act). FSP 106-2 provides guidance on accounting for the prescription drug benefit of the Medicare Act, prescribes the transition to the new guidance, and sets forth new disclosure requirements. GM's adoption as of July 1, 2004 of the accounting provisions of FSP 106-2 did not have a significant effect on the Corporation's financial condition or results of operations. Note 16 includes the disclosures required by FSP 106-2.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." SFAS No. 151 amends the guidance in ARB No. 43, "Inventory Pricing," for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) requiring that those items be recognized as current-period expenses regardless of whether they meet the criterion of "so abnormal." This statement also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The statement is effective for inventory costs incurred during the fiscal years beginning after June 15, 2005. Management does not expect this statement to have a material impact on GM's consolidated financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29." APB Opinion No. 29, "Accounting for Nonmonetary Transactions," is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. SFAS No. 153 amends APB Opinion No. 29, eliminating the exception to fair value accounting for nonmonetary exchanges of similar productive assets and replaces it with a general exception to fair value accounting for nonmonetary exchanges that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Management does not expect this statement to have a material impact on GM's consolidated financial position or results of operations.

## Note 1 Significant Accounting Policies *(concluded)*

### 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 was paid in October 2004. GM amortizes 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 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% 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.

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 and \$9.5 billion for 2003 and 2002, respectively, and Hughes' net losses from discontinued operations were \$219 million and \$239 million for 2003 and 2002, respectively.

## Note 3 Asset Impairments

GM recorded pre-tax charges against income for asset impairments of \$736 million (\$461 million after tax, or \$0.81 per diluted share) in 2004, \$835 million (\$533 million after tax, or \$0.94 per diluted share) in 2003 and \$254 million (\$158 million after tax, or \$0.28 per diluted share) in 2002. These charges were recorded in cost of sales and other expenses in the income statement.

In 2004, the pre-tax charges comprised \$609 million (\$383 million after tax) related to special tools and other assets related to product lines, and \$127 million (\$78 million after tax) related to facilities rationalization actions at GM's Baltimore, Maryland, and Linden, New Jersey plants.

In 2003, the pre-tax charges comprised \$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.

## Note 4 Investment in Nonconsolidated Affiliates

Nonconsolidated affiliates of GM identified herein are those investees in which GM owns an equity interest and for which GM uses the equity method of accounting, because GM has the ability to exert significant influence over decisions relating to their operating and financial affairs. GM's significant affiliates and the percentage of GM's current equity ownership, or voting interest, in them include the following: Italy – GM-Fiat Powertrain (FGP) (50% in 2004, 2003, 2002); Japan – Fuji Heavy Industries Ltd. (20.1% in 2004, 21.1% in 2003, 2002), Suzuki Motor Corporation (20.4% in 2004 and 20.3% in 2003, 2002); China – Shanghai General Motors Co., Ltd. (50% in 2004, 2003, 2002); SAIC GM Wuling Automobile Co., Ltd (34% in 2004, 2003, 2002); South Korea – GM-DAT (44.6% in 2004, 2003, 2002). On February 13, 2005, GM entered into certain agreements with Fiat S.p.A. (Fiat) (refer to Note 25), as a result of which GM will no longer hold an interest in FGP.

## Note 4 Investment in Nonconsolidated Affiliates (concluded)

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	South Korea
<b>2004</b>				
Book value of GM's investments in affiliates	\$1,293	\$ 3,174	\$1,173	\$ 193
GM's share of affiliates' net income (loss)	\$ 87	\$ 255	\$ 417	\$ (53)
Total assets of significant affiliates <sup>(1)</sup>	\$8,616	\$30,582	\$3,730	\$5,288
Total liabilities of significant affiliates <sup>(1)</sup>	\$5,539	\$17,417	\$1,931	\$4,447
<b>2003</b>				
Book value of GM's investments in affiliates	\$ 946	\$ 2,781	\$ 964	\$ 200
GM's share of affiliates' net income (loss)	\$ 95	\$ 196	\$ 414	\$ (74)
Total assets of significant affiliates <sup>(1)</sup>	\$7,933	\$29,622	\$3,103	\$3,263
Total liabilities of significant affiliates <sup>(1)</sup>	\$5,304	\$17,764	\$1,460	\$2,892
<b>2002</b>				
Book value of GM's investments in affiliates	\$ 753	\$ 2,322	\$ 659	\$ 252
GM's share of affiliates' net income (loss)	\$ 80	\$ 133	\$ 123	\$ (45)
Total assets of significant affiliates <sup>(1)</sup>	\$6,589	\$24,579	\$1,956	\$2,277
Total liabilities of significant affiliates <sup>(1)</sup>	\$4,479	\$14,966	\$ 813	\$1,771

(1) As defined above.

## Note 5 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 were 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, 2004	Cost	Book/ Fair Value	Unreal- ized Gains	Unreal- ized Losses
<b>Type of security</b>				
Corporate debt securities and other	\$3,697	\$3,691	\$12	\$18
U.S. government and agencies	2,146	2,141	6	11
Mortgage-backed securities	826	823	3	6
Total marketable securities	\$6,669	\$6,655	\$21	\$35

December 31, 2003	Cost	Book/ Fair Value	Unreal- ized Gains	Unreal- ized Losses
<b>Type of security</b>				
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	18	16
News Corporation ADSs	819	864	—	—
Total marketable securities	\$9,020	\$9,067	\$18	\$16

Debt securities totaling \$951 million mature within one year and \$4.8 billion mature after one through five years, \$358 million mature after five through ten years, and \$574 million mature after ten years. Proceeds from sales of marketable securities totaled \$14.8 billion in 2004, \$7.1 billion in 2003, and \$4.7 billion in 2002. The gross gains related to sales of marketable securities were \$25 million, \$7 million, and \$3 million in 2004, 2003, and 2002, respectively. The gross losses related to sales of marketable securities were \$30 million in 2004, \$11 million in 2003, and \$1 million in 2002.

### Financing and Insurance Operations

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

December 31, 2004	Cost	Book/ Fair Value	Unreal- ized Gains	Unreal- ized Losses
<b>Type of security</b>				
Bonds, notes, and other securities				
United States government and agencies	\$ 2,198	\$ 2,208	\$ 18	\$ 8
States and municipalities	556	596	40	—
Foreign government securities	792	805	14	1
Mortgage and asset-backed securities	1,988	2,074	97	11
Corporate debt securities and other	3,399	3,489	97	7
Total debt securities available-for-sale	8,933	9,172	266	27
Mortgage-backed securities held-to-maturity	135	135	—	—
Mortgage-backed securities held for trading purposes	3,510	3,545	35	—
Total debt securities	12,578	12,852	301	27
Equity securities	1,505	2,230	731	6
Total investment in marketable securities	\$14,083	\$15,082	\$1,032	\$33
Total consolidated other marketable securities	\$20,752	\$21,737	\$1,053	\$68

## Note 5 Marketable Securities (concluded)

December 31, 2003	Cost	Book/ Fair Value	Unreal- ized Gains	Unreal- ized Losses
<b>Type of security</b>				
Bonds, notes, and other securities				
United States government and agencies	\$ 716	\$ 722	\$ 7	\$ 1
States and municipalities	575	626	51	—
Foreign government securities	681	689	10	2
Mortgage and asset-backed securities	1,801	1,944	150	7
Corporate debt securities and other	2,965	3,087	128	6
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

Debt securities available-for-sale totaling \$1.4 billion mature within one year, \$2.5 billion mature after one through five years, \$2.6 billion mature after five years through ten years, and \$0.7 billion mature after ten years. Mortgage-backed securities and interests in securitization trusts totaled \$2 billion. Proceeds from sales of marketable securities totaled \$3.2 billion in 2004, \$7.6 billion in 2003, and \$12.8 billion in 2002. The gross gains related to sales of marketable securities were \$138 million, \$270 million, and \$402 million in 2004, 2003, and 2002, respectively. The gross losses related to sales of marketable securities were \$49 million, \$202 million, and \$121 million in 2004, 2003, and 2002, respectively.

The gross unrealized losses and fair value of the Corporation's investments in an unrealized loss position that are not deemed to be other-than-temporarily impaired are summarized in the following table.

(Dollars in millions)	December 31, 2004			
	Less Than 12 Months	12 Months or Longer	Fair Value	Unreal- ized Losses
<b>Automotive and Other Operations</b>				
Available for sale securities				
Corporate debt securities and Other	\$1,698	\$16	\$ 81	\$3
U.S. government and agencies	1,293	11	—	—
Mortgage-backed securities	418	4	33	1
Total marketable securities	\$3,409	\$31	\$114	\$4
<b>Financing and Insurance Operations</b>				
Available for sale securities				
Debt securities				
U.S. Treasury and federal agencies	\$ 971	\$ 8	\$ —	\$—
Foreign government securities	208	1	—	—
Mortgage-backed securities:				
Residential	67	5	—	—
Commercial	343	2	14	1
Interest-only strips	27	3	—	—
Corporate debt securities	547	5	—	—
Other	35	2	—	—
Total debt securities	2,198	26	14	1
Equity securities	88	6	—	—
Total available for sale securities	\$2,286	\$32	\$ 14	\$1
Total held to maturity securities	\$ 15	\$ 1	\$ —	\$—

## Note 6 Variable Interest Entities

As discussed in Note 1, GM applied the provisions of FIN 46, later clarified by FIN 46R, to all variable interest entities beginning July 1, 2003. In connection with the application of FIN 46R, 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

## Note 6 Variable Interest Entities *(continued)*

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, 2004, the carrying amount of assets and liabilities consolidated under FIN 46R amounted to \$883 million and \$1.0 billion 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 \$888 million. For other such lease arrangements involving VIEs, GM holds significant variable interests but is not considered the primary beneficiary under FIN 46R. GM's maximum exposure to loss related to VIE's where GM has a significant variable interest, but does not consolidate the entity, amounts to \$592 million.

### **Financing and Insurance Operations**

**Automotive Finance Receivables** – In certain securitization transactions, GMAC transfers consumer finance receivables and wholesale lines of credit into bank-sponsored multi-seller commercial paper conduits. These conduits provide a funding source to GMAC (as well as other transferors 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 \$16.1 billion as of December 31, 2004. While GMAC has a variable interest in these conduits, it is not considered 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 non-consolidated variable interest entities is \$168 million and would be incurred only in the event of a complete loss on the assets that GMAC transferred.

**Mortgage Warehouse Funding** – GMAC's Mortgage operations transfer 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 transfers to warehouse funding entities, including GMAC- and bank-sponsored commercial paper conduits. Transfers of assets from GMAC into each facility are accounted for as either sales (off-balance sheet) or secured financings (on-balance sheet) based on the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." However, in either case, creditors of these facilities have no legal recourse to the general credit of GMAC. Some of these warehouse funding entities represent variable interest entities under FIN 46R.

Management has determined that for certain mortgage warehouse funding facilities, GMAC is the primary beneficiary and, as such, consolidates the entities in accordance with FIN 46R. The assets of these residential mortgage warehouse entities totaled

\$4.6 billion at December 31, 2004, the majority of which are included in loans held for sale and finance receivables, net, in the Corporation's Consolidated Balance Sheet. The assets of the commercial mortgage warehouse entities totaled \$526 million at December 31, 2004, the majority of which are included in loans held for sale and finance receivables and loans, net, in the Corporation's Consolidated Balance Sheet. The beneficial interest holders of these variable interest entities do not have legal recourse to the general credit of GMAC.

**Residential Mortgage Loan Alliances** – GMAC has invested in strategic alliances with several mortgage loan originators. These alliances may include common or preferred equity investments, working capital or other subordinated lending, and warrants. In addition to warehouse lending arrangements, management has determined that GMAC does not have the majority of the expected losses or returns and, as such, consolidation is not appropriate under FIN 46R. Total assets in these alliances were \$174 million at December 31, 2004. GMAC's maximum exposure to loss under these alliances, including commitments to lend additional funds or purchase loans at above-market rates, is \$285 million at December 31, 2004.

**Construction and Real Estate Lending** – GMAC uses an SPE to finance construction lending receivables. The SPE purchases and holds the receivables and funds the majority of the purchases through financing obtained from third-party asset-backed commercial paper conduits. GMAC is the primary beneficiary, and as such, consolidates the entity in accordance with FIN 46R. The assets in this entity totaled \$1.2 billion at December 31, 2004, which are included in finance receivables, net, in the Corporation's Consolidated Balance Sheet. The beneficial interest holders of this variable interest entity do not have legal recourse to the general credit of GMAC.

GMAC has subordinated real estate lending arrangements with certain entities. These entities are created to develop land and construct residential homes. Management has determined that GMAC does not have the majority of the expected losses or returns, and as such, consolidation is not appropriate under FIN 46R. Total assets in these entities were \$194 million at December 31, 2004, of which \$49 million represents GMAC's maximum exposure to loss.

**Warehouse Lending** – GMAC has a facility in which it transfers mortgage warehouse lending receivables to a 100% owned SPE which then sells a senior participation interest in the receivables to an unconsolidated qualifying special purpose entity (QSPE). The QSPE funds the purchase of the participation interest from the SPE through financing obtained from third-party asset-backed commercial paper conduits. The SPE funds the purchase of the receivables from GMAC with cash obtained from the QSPE, as well as a subordinated loan and/or an equity contribution from GMAC. The senior participation interest sold to the QSPE, and the commercial paper issued are not included in the assets or liabilities of GMAC. Once the receivables have been sold, they may not be purchased by GMAC except in very limited circumstances, such as a breach in representations or warranties. Management has determined that GMAC is the primary beneficiary of the SPE, and as such, consolidates the entity in accordance with FIN 46R. The assets in this

## Note 6 Variable Interest Entities *(continued)*

entity totaled \$686 million at December 31, 2004, which are included in finance receivables, net, in the Corporation's Consolidated Balance Sheet. The beneficial interest holders of this variable interest entity do not have legal recourse to the general credit of GMAC.

**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, GMAC sometimes retains equity investments in the CDOs. The majority of the CDOs sponsored by GMAC were initially structured or have been restructured (with approval by the senior beneficial interest holders) as QSPEs, and are therefore exempt from FIN 46R.

GMAC receives an asset management fee for purposes of surveillance of existing collateral performance. In the event that an asset is credit impaired, a call option is triggered whereby GMAC, as collateral manager, may buy the asset out of the pool and sell it to a third party. The call is triggered only by events that are outside of GMAC's control, such as the downgrade by a rating agency of an asset in the pool or in the event more than a specified percentage of mortgage loans underlying a security are greater than 60 days delinquent (or have been liquidated). In the event the conditions under which GMAC can exercise the call option are met, GMAC recognizes these assets. In accordance with these provisions, GMAC did not recognize any assets as of December 31, 2004 or 2003.

For the majority of GMAC's remaining CDOs, the results of the primary beneficiary analysis support the conclusion that consolidation is not appropriate under FIN 46R, because GMAC does not have the majority of the expected losses or returns. The assets in these CDOs totaled \$2.5 billion at December 31, 2004, of which GMAC's maximum exposure to loss is \$50 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 GMAC's retained interests in these entities. In addition, management has determined that for a particular CDO entity, GMAC is the primary beneficiary, and as such, consolidates the entity in accordance with FIN 46R. The assets in this entity totaled \$294 million at December 31, 2004, the majority of which are included in other marketable securities in the Corporation's Consolidated Balance Sheet. The beneficiary interest holders of this variable interest entity do not have legal recourse to the general credit of GMAC.

**Interests in Real Estate Partnerships** – GMAC's Commercial Mortgage operations syndicate investments in real estate partnerships to unaffiliated investors in the form of limited partner ownership interests (typically 99.99% of the total interests). These syndicated real estate partnerships, in turn, acquire limited partner ownership interests in various operating partnerships that develop, own, and operate affordable housing properties throughout the United States. Returns to investors in the partnerships syndicated by GMAC are derived from flow-through low-income housing tax credits and tax losses generated by the underlying operating partnership entities. GMAC does have loss exposure based on its limited

partnership interest and to the investors in the guaranteed syndicated real estate partnerships to which it has guaranteed a rate of return. The loss exposure represents the potential under-delivery of income tax benefits by the syndicated real estate partnerships to the investors.

In certain syndicated real estate partnerships, GMAC has guaranteed a specified rate of return to the investors. In the event of a shortfall in the delivery of tax benefits to the investors, GMAC is required to provide funding to the syndicated real estate partnerships. Syndicated real estate partnerships that contain a guarantee (i.e., guaranteed syndicated real estate partnerships) are reflected in the Corporation's Consolidated Financial Statements under the financing method, in accordance with SFAS No. 66, "Accounting for Sales of Real Estate." Under the financing method, the assets and liabilities of the guaranteed syndicated real estate partnerships are reflected on GM's Consolidated Balance Sheet. More specifically, cash and cash equivalents and equity method investments (in the underlying operating partnership entities) of the guaranteed syndicated real estate partnerships consist almost entirely of a financing liability (initially equal to the amount of equity contributed by each investor), payable to each tax credit fund investor. The financing liability to the investors is extinguished over the life of the guaranteed syndicated real estate partnerships, as annual tax benefits guaranteed to each investor are delivered.

In addition to reflecting the assets and liabilities of the guaranteed syndicated real estate partnerships, GMAC has variable interests in the underlying operating partnerships (primarily in the form of limited partnership interests). The results of GMAC's variable interest analysis indicated that it is not the primary beneficiary of these partnerships and, as a result, is not required to consolidate these entities under FIN 46R. Assets outstanding in the underlying operating partnerships approximated \$5.0 billion at December 31, 2004. GMAC's exposure to loss at such time was \$708 million, representing the financing liability reflected in the Consolidated Financial Statements, or the amount payable to investors in the event of liquidation of the partnerships. GMAC's exposure to loss increases as unaffiliated investors fund additional guaranteed commitments with GMAC, and decreases as tax benefits are delivered to unaffiliated investors. Considering such committed amounts, GMAC's exposure to loss in future periods is not expected to exceed \$1.6 billion.

**Residential Mortgage Loan Alliances** – GMAC has invested in strategic alliances with several mortgage loan originators. These alliances may include common or preferred equity investments, working capital or other subordinated lending, and warrants. In addition to warehouse lending arrangements, management has determined that GMAC does not have the majority of the expected losses or returns and, as such, consolidation is not appropriate under FIN 46R. Total assets in these alliances were \$174 million at December 31, 2004. GMAC's maximum exposure to loss under these alliances including commitments to lend additional funds or purchase loans at above-market rates is \$285 million at December 31, 2004.

**Construction and Real Estate Lending** – GMAC uses a special purpose entity to finance construction lending receivables. The special purpose entity purchases and holds the receivables and funds the majority of the purchases through financing obtained from third-party asset-backed commercial paper conduits. GMAC is the primary beneficiary, and as such, consolidates the entity in accordance with FIN 46R.

## Note 6 Variable Interest Entities (concluded)

The assets in this entity totaled \$1.2 billion at December 31, 2004, which are included in finance receivables, net, in GM's Consolidated Balance Sheet. The beneficial interest holders of this variable interest entity do not have legal recourse to the general credit of GMAC.

GMAC has subordinated real estate lending arrangements with certain entities. These entities are created to develop land and construct residential homes. Management has determined that GMAC does not have the majority of the expected losses or returns and, as such, consolidation is not appropriate under FIN 46R. Total assets in these entities were \$194 million at December 31, 2004, of which \$49 million represents GMAC's maximum exposure to loss.

**New Market Tax Credit Funds** – The Corporation syndicates and manages investments in partnerships that make investments, typically mortgage loans that, in turn, qualify the partnerships to earn New Markets Tax Credits. New Markets Tax Credits permit taxpayers to receive a federal income tax credit for making qualified equity investments in community development entities. For one particular tax credit fund, management has determined that GMAC does not have the majority of the expected losses or returns and, as such, consolidation is not appropriate under FIN 46R. The assets in these investments totaled \$62 million at December 31, 2004, of which \$45 million represents GMAC's maximum exposure to loss. In addition to this entity, management has determined that for another tax credit fund, GMAC is a primary beneficiary and as such, consolidates the entity in accordance with FIN 46R. The assets in the entity totaled \$76 million at December 31, 2004, which are included in other assets in the Corporation's Consolidated Balance Sheet. The beneficial interest holders of this variable interest entity do not have legal recourse to the general credit of GMAC.

## Note 7 Finance Receivables and Securitizations

### Finance Receivables – Net

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

December 31,	2004	2003
<b>Consumer</b>		
Retail automotive	\$ 92,225	\$ 88,594
Residential mortgages	57,709	46,307
Total consumer	149,934	134,901
<b>Commercial</b>		
Automotive:		
Wholesale	27,796	25,517
Leasing and lease financing	1,466	1,465
Term loans to dealers and others	3,662	3,912
Commercial and industrial	14,203	9,783
Commercial real estate:		
Commercial mortgage	3,148	180
Real estate construction	2,810	2,053
Total commercial	53,085	42,910
Total finance receivables and loans	203,019	177,811
Allowance for financing losses	(3,419)	(3,042)
Total consolidated finance receivables – net <sup>(1)</sup>	\$199,600	\$174,769

(1) Net of unearned income of \$7.6 billion and \$7.4 billion at December 31, 2004 and 2003, respectively.

Finance receivables that originated outside the United States were \$35.4 billion and \$30.6 billion at December 31, 2004 and 2003, respectively. The aggregate amounts of total finance receivables maturing in each of the five years following December 31, 2004, are as follows: 2005-\$73.7 billion; 2006-\$29.7 billion; 2007-\$23.1 billion; 2008-\$14.6 billion; 2009-\$8.4 billion; and 2010 and thereafter-\$61.2 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 mortgage securities. The information contained below relates only to the transfers of finance receivables and loans that qualify as off-balance sheet securitizations under the requirements of SFAS 140.

The Corporation retains servicing responsibilities for and subordinated interests in 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 in some of these securitizations. GMAC also holds subordinated interests and acts as collateral manager in the Corporation's CDO securitization program.

As servicer, GMAC generally receives a monthly fee stated as a percentage of the outstanding sold receivables. For retail automotive finance receivables where GMAC is paid a fee, the Corporation has concluded that the fee represents adequate compensation as a servicer and, as such, no servicing asset or liability is recognized. Considering the short-term revolving nature of wholesale loans, no servicing asset or liability is recognized upon securitization of the loans. As of December 31, 2004, the weighted average basic servicing fees for GMAC's primary servicing activities were 100 basis points, 100 basis points, 29 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 retains the rights to cash flows remaining after the investors in most securitization trusts have received their contractual payments. In certain retail securitization transactions, retail receivables are sold on a servicing retained basis, but with no servicing compensation and, as such, a servicing liability is established and recorded in other liabilities. As of December 31, 2004 and December 31, 2003, servicing liabilities of \$30 million and \$22 million, respectively, were outstanding related to such retail securitization transactions. For mortgage servicing, the Corporation capitalizes the value expected to be realized from performing specified residential and commercial mortgage servicing activities as mortgage servicing rights.

GMAC 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 totaled \$118 million, \$1.0 billion, \$44 million, and \$10 million as of December 31, 2004 related to securitizations of retail finance receivables, wholesale loans, residential mortgage loans, and commercial mortgage loans, respectively, and \$167 million, \$1.2 billion, \$13 million, and \$5 million as of December 31, 2003, respectively.

## Note 7 Finance Receivables and Securitizations (continued)

The following tables summarize pre-tax gains on securitizations and certain cash flows received from and paid to securitization trusts for transfers of finance receivables and loans that were completed during 2004, 2003 and 2002 (dollars in millions):

Year ended December 31,	2004				
	Retail Finance Receivables	Wholesale Loans	Mortgage Loans		Commercial Mortgage Securities
			Residential	Commercial	
Pre-tax gains on securitizations	\$ 9	\$ 497	\$ 602	\$ 54	\$ 11
Cash flow information:					
Proceeds from new securitizations	1,824	9,188	29,412	2,108	935
Servicing fees received	105	174	208	20	—
Other cash flows received on retained interests	340	808	729	216	68
Proceeds from collections reinvested in revolving securitizations	—	91,360	—	—	—
Repayments of servicing advances	75	—	947	147	—
Cash outflow information:					
Servicing advances	(64)	—	(1,035)	(169)	—
Purchase obligations and options:					
Representations and warranties obligations	(1)	—	(66)	—	—
Administrator or servicer actions	(75)	—	—	—	—
Asset performance conditional calls	—	—	(137)	—	—
Clean-up calls	(269)	—	(3,797)	—	—
Year ended December 31,	2003				
	Retail Finance Receivables	Wholesale Loans	Mortgage Loans		Commercial Mortgage Securities
			Residential	Commercial	
Pre-tax gains on securitizations	\$ 37	\$ 488	\$ 522	\$ 75	\$ 14
Cash flow information:					
Proceeds from new securitizations	1,604	3,625	29,566	3,342	1,870
Servicing fees received	228	164	250	20	—
Other cash flows received on retained interests	753	174	955	317	69
Proceeds from collections reinvested in revolving securitizations	862	97,829	—	5	—
Repayments of servicing advances	114	—	1,208	116	—
Cash outflow information:					
Servicing advances	(118)	—	(1,242)	(117)	—
Purchase obligations and options:					
Representations and warranties obligations	(25)	—	(154)	—	—
Administrator or servicer actions	(146)	—	—	—	—
Asset performance conditional calls	—	—	(122)	—	—
Clean-up calls	(885)	—	(1,919)	—	—
Year ended December 31,	2002				
	Retail Finance Receivables	Wholesale Loans	Mortgage Loans		Commercial Mortgage Securities
			Residential	Commercial	
Pre-tax gains on securitizations	\$ 239	\$ 445	\$ 562	\$ 30	\$ 18
Cash flow information:					
Proceeds from new securitizations	9,982	2,327	38,025	1,848	439
Servicing fees received	247	146	268	17	—
Other cash flows received on retained interests	1,361	318	1,044	86	37
Proceeds from collections reinvested in revolving securitizations	482	104,485	—	—	—
Repayments of servicing advances	117	—	1,333	116	—
Cash outflow information:					
Servicing advances	(117)	—	(1,449)	(122)	—
Purchase obligations and options:					
Representations and warranties obligations	—	—	(70)	—	—
Administrator or servicer actions	(198)	—	—	—	—
Asset performance conditional calls	—	—	(58)	—	—
Clean-up calls	(289)	(55)	(494)	—	—

## Note 7 Finance Receivables and Securitizations (continued)

Key economic assumptions used in measuring the estimated fair value of retained interests of sales completed during 2004 and 2003, as of the dates of such sales, were as follows:

Year ended December 31,	2004				2003			
	Retail Finance Receivables <sup>(a)</sup>	Mortgage loans		Commercial Mortgage Securities	Retail Finance Receivables <sup>(a)</sup>	Mortgage Loans		Commercial Mortgage Securities
		Residential <sup>(b)</sup>	Commercial			Residential <sup>(b)</sup>	Commercial	
Key assumptions (rates per annum) <sup>(c)</sup> :								
Annual prepayment rate <sup>(d)</sup>	<b>0.9-1.0%</b>	<b>0.0-51.3%</b>	<b>0.0-50.0%</b>	<b>0.0-19.9%</b>	0.9%	3.1-59.9%	0.0-50.0%	0.0%
Weighted average life (in years)	<b>1.6-1.8</b>	<b>1.1-5.5</b>	<b>0.4-8.8</b>	<b>2.5-17.4</b>	1.6	1.1-5.9	1.4-6.2	2.5-25.1
Expected credit losses	<sup>(e)</sup>	<b>0.0-10.9%</b>	<b>0.0%</b>	<b>0.0-3.1%</b>	<sup>(e)</sup>	0.4-7.3%	0.0-0.8%	0.0-1.6%
Discount rate	<b>9.5%</b>	<b>6.5-24.8%</b>	<b>4.3-15.0%</b>	<b>8.2-11.7%</b>	9.5%	6.5-14.5%	2.6-10.8%	8.6-10.0%

(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 mortgage securities.

(e) Amounts totaling \$39 million and \$83 million at December 31, 2004 and 2003, respectively, have been established for expected credit losses on automotive finance receivables securitized in off-balance sheet transactions. Such amounts are included in the fair value of the retained interests, which are classified as investment securities.

The table below outlines the key economic assumptions and the sensitivity of the fair value of retained interests at December 31, 2004 to immediate 10% and 20% adverse changes in those assumptions (dollars in millions):

	Retail Finance Receivables <sup>(a)</sup>	Mortgage Loans		Commercial Mortgage Securities
		Residential	Commercial	
Carrying value/fair value of retained interests	\$748	\$1,247	\$443	\$314
Weighted average life (in years)	0.1-1.5	1.1-5.4	0.1-17.3	1.5-24.1
Annual prepayment rate	0.5-1.6% WAM	0.0-55.0% CPR	0.0-55.0% CPR	0.0-21.1% CPR
Impact of 10% adverse change	\$(1)	\$(49)	\$-	\$(1)
Impact of 20% adverse change	(2)	(86)	(1)	(2)
Loss assumption	<sup>(b)</sup>	0.3-26.1%	0.0-4.2%	0.0-39.5%
Impact of 10% adverse change	\$(4)	\$(50)	\$(7)	\$(13)
Impact of 20% adverse change	(9)	(93)	(12)	(26)
Discount rate	9.5-12.0%	6.5-40.0%	3.8-26.3%	5.3-15.0%
Impact of 10% adverse change	\$(3)	\$(36)	\$(5)	\$(18)
Impact of 20% adverse change	(7)	(68)	(11)	(35)
Market rate <sup>(d)</sup>	2.7-3.6%	<sup>(c)</sup>	<sup>(c)</sup>	<sup>(c)</sup>
Impact of 10% adverse change	\$(4)	\$(15)	\$-	\$-
Impact of 20% adverse change	(8)	(30)	-	-

(a) Fair value of retained interests in wholesale securitizations approximates cost because of the short-term and floating rate nature of wholesale receivables.

(b) Net of a reserve for expected credit losses totaling \$39 million at December 31, 2004. Such amounts are included in the fair value of the retained interests, which are classified as investment securities.

(c) Forward benchmark interest rate yield curve plus contractual spread.

(d) Represents the rate of return paid to the investors.

## Note 7 Finance Receivables and Securitizations (concluded)

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% and 20% 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 the Corporation's securitization transactions.

December 31,	Loans Securitized in <sup>(a)</sup>		
	2004	2003	2002
Retail automotive	<b>0.4%</b>	0.4%	0.6%
Residential mortgage	<b>0.0-26.1%</b>	0.0-26.1%	0.0-24.8%
Commercial mortgage	<b>0.0-4.2%</b>	0.0-6.6%	0.0-4.1%
Commercial investment securities	<b>0.0-39.5%</b>	0.9-33.7%	0.3-36.8%

(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:

December 31, (Dollars in millions)	Total Finance Receivables and Loans		Amount 60 Days or More Past Due		Net Credit Losses	
	2004	2003	2004	2003	2004	2003
Retail automotive	<b>\$ 97,631</b>	\$100,628	<b>\$ 806</b>	\$ 755	<b>\$1,044</b>	\$1,128
Residential mortgage	<b>129,550</b>	104,378	<b>6,686</b>	4,974	<b>944</b>	682
Total consumer	<b>227,181</b>	205,006	<b>7,492</b>	5,729	<b>1,988</b>	1,810
Wholesale	<b>49,197</b>	46,644	<b>51</b>	47	<b>2</b>	5
Commercial mortgage	<b>21,353</b>	22,621	<b>410</b>	652	<b>130</b>	66
Other automotive and commercial	<b>22,155</b>	17,364	<b>544</b>	636	<b>71</b>	194
Total commercial	<b>92,705</b>	86,629	<b>1,005</b>	1,335	<b>203</b>	265
Total managed portfolio <sup>(a)</sup>	<b>319,886</b>	291,635	<b>\$8,497</b>	\$7,064	<b>\$2,191</b>	\$2,075
Securitized finance receivables and loans	<b>(96,801)</b>	(94,622)				
Loans held for sale (unpaid principal)	<b>(19,941)</b>	(19,609)				
Total finance receivables and loans	<b>\$203,144</b>	\$177,404				

(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 8 Inventories

### Automotive and Other Operations

Inventories included the following (dollars in millions):

December 31,	2004	2003
Productive material, work in process, and supplies	<b>\$ 4,838</b>	\$ 4,899
Finished product, service parts, etc.	<b>8,321</b>	7,642
Total inventories at FIFO	<b>13,159</b>	12,541
Less LIFO allowance	<b>(1,442)</b>	(1,581)
Total inventories (less allowances)	<b>\$11,717</b>	\$10,960

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 2004 and 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 2004 and 2003 purchases, the effect of which decreased cost of goods sold by approximately \$100 million pre-tax, and \$200 million pre-tax, respectively.

### Financing and Insurance Operations

Inventories included the following (dollars in millions):

December 31,	2004	2003
Off-lease vehicles	<b>\$ 530</b>	\$ 642
Total consolidated inventories (less allowances)	<b>\$12,247</b>	\$11,602

## Note 9 Equipment on Operating Leases

The Corporation has significant investments in its vehicle leasing portfolios. The residual values of vehicles on lease represent the estimate of the values of the assets at the end of the lease contracts and are initially determined 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 the estimates remain appropriate.

### Automotive and Other Operations

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

December 31,	2004	2003
Equipment on operating leases	\$7,475	\$7,994
Less accumulated depreciation	(987)	(821)
Net book value	\$6,488	\$7,173

### Financing and Insurance Operations

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

December 31,	2004	2003
Equipment on operating leases	\$36,002	\$33,522
Less accumulated depreciation	(8,276)	(7,944)
Net book value	\$27,726	\$25,578
Total consolidated net book value	\$34,214	\$32,751

The lease payments to be received related to equipment on operating leases maturing in each of the five years following December 31, 2004, are as follows: Auto & Other – none, as the payment is received at lease inception and the income is deferred over the lease period; FIO – 2005 – \$5.7 billion; 2006 – \$3.9 billion; 2007 – \$2.3 billion; 2008 – \$712 million; and 2009 – \$38 million. There are no leases maturing after 2009.

## Note 10 Income Taxes

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

Years ended December 31,	2004	2003	2002
U.S. income	\$ 248	\$1,786	\$ 126
Foreign income	944	1,195	2,212
Total	\$1,192	\$2,981	\$2,338

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

Years ended December 31,	2004	2003	2002
Income taxes estimated to be payable currently			
U.S. federal	\$ (282)	\$ 167	\$ 46
Foreign	1,018	1,159	1,702
U.S. state and local	36	414	325
Total payable currently	772	1,740	2,073
Deferred income tax expense (credit) – net			
U.S. federal	(422)	155	3
Foreign	(1,239)	(1,136)	(1,187)
U.S. state and local	(22)	(28)	(245)
Total deferred	(1,683)	(1,009)	(1,429)
Total income taxes	\$ (911)	\$ 731	\$ 644

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 2004, 2003, and 2002 was \$293 million, \$542 million, and \$1.2 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 \$11.0 billion at December 31, 2004, and \$11.6 billion at December 31, 2003. Quantification of the deferred tax liability, if any, associated with permanently reinvested earnings is not practicable.

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,	2004	2003	2002
Tax at U.S. federal statutory income tax rate	\$ 417	\$1,043	\$ 818
State and local tax expense	(949)	21	99
Foreign rates other than 35%	(510)	(269)	(184)
Taxes on unremitted earnings of subsidiaries	(366)	(125)	(124)
Other tax credits	(41)	(52)	(82)
Settlement of prior year tax matters	(191)	(194)	18
Change in valuation allowance	1,463	566	203
ESOP dividend deduction <sup>(1)</sup>	(53)	(53)	(85)
Realization of basis differences due to foreign reorganizations	(483)	–	–
Medicare Prescription Drug Benefit	(211)	–	–
Loss carryforward related to investment write-down	(168)	–	–
Stock contribution to pension plans <sup>(2)</sup>	–	(87)	–
Other adjustments	181	(119)	(19)
Total income tax	\$ (911)	\$ 731	\$ 644

(1) 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.

(2) Additional tax benefit related to the GM Class H Common Stock contribution to the pension and VEBA plans.

## Note 10 Income Taxes (concluded)

Deferred income tax assets and liabilities for 2004 and 2003 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,	2004		2003	
	Deferred Tax Assets	Liabilities	Deferred Tax Assets	Liabilities
Postretirement benefits other than pensions	\$ 9,377	\$ —	\$15,280	\$ —
Pension and other employee benefit plans	3,787	13,408	4,060	12,521
Warranties, dealer and customer allowances, claims, and discounts	6,907	42	6,541	108
Depreciation and amortization	5,043	3,118	3,901	2,832
Tax carryforwards	10,422	—	3,784	—
Lease transactions	19	3,801	10	4,297
Miscellaneous foreign	4,762	2,300	5,892	2,602
Other	8,732	3,804	7,409	2,885
Subtotal	49,049	26,473	46,877	25,245
Valuation allowances	(3,413)	—	(1,950)	—
Total deferred taxes	\$45,636	\$26,473	\$44,927	\$25,245
Net deferred tax assets	\$19,163		\$19,682	

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

	2004	2003
Current deferred tax assets	\$ 8,883	\$ 9,104
Current deferred tax liabilities	(5,226)	(5,671)
Non-current deferred tax assets	17,358	18,086
Non-current deferred tax liabilities	(1,852)	(1,837)
Total	\$19,163	\$19,682

Of the tax carryforwards at December 31, 2004, approximately 6% relates to the alternative minimum tax credit (which can be carried forward indefinitely), approximately 21% relates to U.S. federal net operating loss carryforwards and approximately 15% relates to the U.S. state net operating loss carryforwards, which will expire in 2006-2024 if not used. Approximately 83% of the U.S. state net operating loss carryforwards will not expire until after 2008. Approximately 25% of the tax carryforwards relate to general business credits (which consist primarily of research and experimentation credits) and U.S. foreign tax credits which will expire in 2013-2023 if not used. The remaining tax carryforwards relate to accumulated foreign operating losses of which approximately 86% can be carried forward indefinitely and the remaining 14% will expire by 2013. The valuation allowance relates to U.S. state and certain foreign operating loss carryforwards.

The Corporation has open tax years from primarily 1998 to 2003 with various significant taxing jurisdictions including the U.S., Canada, Mexico, Germany, and Brazil. These open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, timing, or inclusion of revenue and expenses, or the sustainability of income tax credits, for a given audit cycle. The Corporation has established a liability of \$3.2 billion for those matters where the amount of loss is probable and estimable. The amount of the liability is based on management's best estimate given the Corporation's history with similar matters and interpretations of current laws and regulations.

## Note 11 Property – Net

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

December 31,	Estimated Useful Lives (Years)	2004	2003
<b>Automotive and Other Operations</b>			
Land	—	\$ 967	\$ 1,004
Buildings and land improvements	2-40	15,636	15,272
Machinery and equipment	3-30	45,796	44,851
Construction in progress	—	3,807	2,722
Real estate, plants, and equipment		66,206	63,849
Less accumulated depreciation		(39,405)	(37,535)
Real estate, plants, and equipment – net		26,801	26,314
Special tools – net		10,369	9,757
Total property – net		\$ 37,170	\$ 36,071
<b>Financing and Insurance Operations</b>			
Equipment and other	2-10	\$ 3,086	\$ 2,921
Less accumulated depreciation		(1,236)	(1,020)
Total property – net		\$ 1,850	\$ 1,901
Total consolidated property – net		\$ 39,020	\$ 37,972

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

Years ended December 31,	2004	2003	2002
<b>Automotive and Other Operations</b>			
Depreciation	\$ 5,028	\$ 4,526	\$ 3,675
Amortization of special tools	3,563	3,391	2,648
Amortization of intangible assets	38	29	1
Total	\$ 8,629	\$ 7,946	\$ 6,324
<b>Financing and Insurance Operations</b>			
Depreciation	\$ 5,512	\$ 5,556	\$ 5,226
Amortization of intangible assets	11	11	19
Total	\$ 5,523	\$ 5,567	\$ 5,245
Total consolidated depreciation and amortization	\$14,152	\$13,513	\$11,569

## Note 12 Goodwill and Intangible Assets

The components of the Corporation's intangible assets as of December 31, 2004 and 2003 were as follows (dollars in millions):

December 31, 2004	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Automotive and Other Operations</b>			
Amortizing intangible assets:			
Patents and intellectual property rights	\$303	\$69	\$ 234
Non-amortizing intangible assets:			
Goodwill			600
Prepaid pension asset (Note 16)			765
Total goodwill and intangible assets			<b>\$1,599</b>
<b>Financing and Insurance Operations</b>			
Amortizing intangible assets:			
Customer lists and contracts	\$ 73	\$41	\$ 32
Trademarks and other	40	20	20
Covenants not to compete	18	18	—
Total	<b>\$131</b>	<b>\$79</b>	<b>\$ 52</b>
Non-amortizing intangible assets:			
Goodwill			3,274
Total goodwill and intangible assets			<b>3,326</b>
Total consolidated goodwill and intangible assets			<b>\$4,925</b>

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

Aggregate amortization expense on existing acquired intangible assets was \$49 million for the year ended December 31, 2004. Estimated amortization expense in each of the next five years is as follows: 2005 – \$49 million; 2006 – \$48 million; 2007 – \$48 million; 2008 – \$45 million; and 2009 – \$35 million.

The changes in the carrying amounts of goodwill were as follows (dollars in millions):

	GMNA	GME	Total Auto & Other	GMAC	Total GM
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
Other	13	—	13	(119) <sup>(1)</sup>	(106)
Balance as of December 31, 2003	154	413	567	3,223	3,790
Goodwill acquired during the period	—	—	—	16	16
Effect of foreign currency translation	5	33	38	35	73
Other	(5)	—	(5)	—	(5)
<b>Balance as of December 31, 2004</b>	<b>\$154</b>	<b>\$446</b>	<b>\$600</b>	<b>\$3,274</b>	<b>\$3,874</b>

(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 represented 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 13 Other Assets

### Automotive and Other Operations

Other assets included the following (dollars in millions):

December 31,	2004	2003
Investments in equity securities	\$ 350	\$ 470
Prepaid pension benefit cost (Note 16)	38,919	40,248
Other	1,575	1,544
<b>Total other assets</b>	<b>\$40,844</b>	<b>\$42,262</b>

Investments in equity securities at December 31, 2004 and 2003 include 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 \$144 million and \$114 million with unrealized gains of \$209 million and \$142 million and unrealized losses of \$3 million and \$6 million at December 31, 2004 and 2003, respectively.

Also included in investments in equity securities at December 31, 2003 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, 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 was 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.

In the fourth quarter of 2004, GM completed its annual review of its investment in FAH. As a result of further deterioration in the performance of Fiat Auto and its current debt structure, GM recorded a non-cash charge of \$220 million (\$136 million, after-tax) to reduce the carrying value of GM's investment in FAH to zero.

### Financing and Insurance Operations

Other assets included the following (dollars in millions):

December 31,	2004	2003
Mortgage servicing rights	\$ 3,890	\$ 3,720
Premiums and other insurance receivables	1,763	1,960
Deferred policy acquisition costs	1,444	1,038
Derivative assets	9,489	10,026
Repossessed and foreclosed assets, net	615	594
Equity investments	1,751	1,560
Intangible assets (Note 12)	3,326	3,281
Property (Note 11)	1,850	1,901
Cash deposits held for securitization trusts	1,836	1,922
Restricted cash collections for securitization trusts	2,217	2,291
Accrued interest and rent receivable	1,178	767
Real estate investments	1,473	1,219
Debt issuance costs	753	716
Servicer advances	769	946
Inventory (Note 8)	530	642
Other	2,229	2,905
<b>Total other assets</b>	<b>\$35,113</b>	<b>\$35,488</b>

### Reclassification for Consolidated Balance Sheet Presentation

December 31,	2004	2003
Auto & Other – other assets, as detailed above	\$ 40,844	\$ 42,262
FIO – other assets, as detailed above	35,113	35,488
<b>Subtotal</b>	<b>75,957</b>	<b>77,750</b>
Prepaid assets and other	1,952	1,747
Inventory (Note 8)	(530)	(642)
Accounts receivable	(14,523)	(15,152)
Intangible assets (Note 12)	(3,326)	(3,281)
Property (Note 11)	(1,850)	(1,901)
<b>Total consolidated other assets</b>	<b>\$ 57,680</b>	<b>\$ 58,521</b>

## Note 14 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,	2004	2003
Dealer and customer allowances, claims, and discounts	\$11,493	\$11,145
Deferred revenue and deposits from rental car companies	12,691	13,157
Policy, product warranty, and recall campaigns	9,133	8,674
Payrolls and employee benefits (excludes postemployment)	4,642	5,081
Unpaid losses under self-insurance programs	1,784	2,027
Taxes, other than income	2,993	3,437
Interest	922	932
Postemployment benefits (including extended disability benefits)	1,163	1,212
Fiat Settlement (Note 25)	1,364	–
Other	8,573	8,492
<b>Total accrued expenses and other liabilities</b>	<b>\$54,758</b>	<b>\$54,157</b>
Pensions	84	72
Postretirement benefits	3,890	3,210
Deferred income taxes	3,072	3,545
<b>Total accrued expenses, other liabilities, and deferred income taxes</b>	<b>\$61,804</b>	<b>\$60,984</b>
Current	\$46,147	\$45,417
Non-current	15,657	15,567
<b>Total accrued expenses, other liabilities, and deferred income taxes</b>	<b>\$61,804</b>	<b>\$60,984</b>

### Policy, product warranty and recall campaigns liability

December 31,	2004	2003
Beginning balance	\$ 8,674	\$ 8,850
Payments	(4,608)	(4,435)
Increase in liability (warranties issued during period)	4,980	4,390
Adjustments to liability (pre-existing warranties)	(85)	(367)
Effect of foreign currency translation	172	236
<b>Ending balance</b>	<b>\$ 9,133</b>	<b>\$ 8,674</b>

## Note 14 Accrued Expenses, Other Liabilities, and Deferred Income Taxes (concluded)

### Financing and Insurance Operations

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

December 31,	2004	2003
Unpaid insurance losses, loss adjustment expenses, and unearned insurance premiums	\$ 7,232	\$ 6,568
Interest	3,413	3,135
Deposits	7,477	5,074
Interest rate derivatives	934	1,121
Other	3,913	3,875
Total other liabilities	\$22,969	\$19,773
Postretirement benefits	815	797
Deferred income taxes	4,006	3,963
Total other liabilities and deferred income taxes	\$27,790	\$24,533
Total consolidated accrued expenses and other liabilities	\$77,727	\$73,930
Total consolidated deferred income tax liability (Note 10)	\$ 7,078	\$ 7,508

## Note 15 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,	
	2004	2003	2004	2003
Long-term debt and loans payable				
Payable within one year				
Current portion of long-term debt <sup>(1)</sup>	5.7%	1.4%	\$ 584	\$ 1,090
All other	3.0%	3.3%	1,478	1,723
Total loans payable			2,062	2,813
Payable beyond one year <sup>(1)</sup>	6.8%	6.8%	30,425	29,632
Unamortized discount			(103)	(108)
Mark-to-market adjustment			138	69
Total long-term debt and loans payable			\$32,522	\$32,406

(1) The weighted-average interest rates include the impact of interest rate swap agreements.

Long-term debt payable beyond one year at December 31, 2004 included maturities as follows: 2006 – \$552 million; 2007 – \$262 million; 2008 – \$1.6 billion; 2009 – \$296 million; 2010 and after – \$27.7 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, 2004 and 2003 for Auto & Other were approximately \$2.2 billion and \$2.4 billion, respectively.

Amounts payable beyond one year after cross currency swaps at December 31, 2004 included \$2.6 billion in currencies other than the U.S. dollar, primarily the euro (\$2.2 billion), the Australian dollar (\$238 million), the Canadian dollar (\$105 million), and the Brazilian real (\$83 million).

At December 31, 2004 and 2003, long-term debt and loans payable for Auto & Other included \$25.3 billion and \$27.4 billion, respectively, of obligations with fixed interest rates, and \$7.2 billion and \$5.0 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 swaps. The notional amount of pay variable swap agreements as of December 31, 2004 and 2003 for Auto & Other was approximately \$5.9 billion and \$3.5 billion, respectively.

GM's Auto & Other business maintains substantial lines of credit with various banks that totaled \$9.0 billion at December 31, 2004, of which \$3.4 billion represented short-term credit facilities and \$5.6 billion represented long-term credit facilities. At December 31, 2003, bank lines of credit totaled \$8.3 billion, of which \$2.6 billion represented short-term credit facilities and \$5.7 billion represented long-term credit facilities. The unused short-term and long-term portions of the credit lines totaled \$2.7 billion and \$5.6 billion at December 31, 2004, compared with \$2.1 billion and \$5.7 billion at December 31, 2003. Certain bank lines of credit contain covenants with which the Corporation and applicable subsidiaries were in compliance throughout the year ended December 31, 2004.

### Financing and Insurance Operations

Debt was as follows (dollars in millions):

	Weighted-Average Interest Rate		December 31,	
	2004	2003	2004	2003
Debt				
Payable within one year				
Current portion of long-term debt <sup>(1)</sup>	3.9%	3.1%	\$ 37,300	\$ 34,284
Commercial paper <sup>(1)</sup>	2.5%	2.1%	8,416	13,182
All other	2.8%	2.6%	45,327	30,344
Total loans payable			91,043	77,810
Payable beyond one year <sup>(1)</sup>	4.9%	5.0%	176,090	160,108
Unamortized discount			(650)	(679)
Mark-to-market adjustment			1,274	2,111
Total debt			\$267,757	\$239,350
Total consolidated notes and loans payable			\$300,279	\$271,756

(1) The weighted-average interest rates include the impact of interest rate swap agreements.

Debt payable beyond one year at December 31, 2004 included maturities as follows: 2006 – \$38.8 billion; 2007 – \$24.3 billion; 2008 – \$11.4 billion; 2009 – \$9.6 billion; 2010 and after – \$91.9 billion.

## Note 15 Long-Term Debt and Loans Payable (concluded)

Amounts payable beyond one year after consideration of foreign currency swaps at December 31, 2004 included \$22.7 billion in currencies other than the U.S. dollar, primarily the Canadian dollar (\$7.2 billion), the euro (\$6.0 billion), the U.K. pound sterling (\$4.9 billion), and the Australian dollar (\$1.7 billion).

At December 31, 2004 and 2003, debt for FIO included \$137 billion and \$96.9 billion, respectively, of obligations with fixed interest rates and \$130.8 billion and \$142.5 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, 2004 for FIO were approximately \$85.9 billion relating to swap agreements (\$56.7 billion pay variable and \$29.2 billion pay fixed). 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).

GM's FIO business maintains substantial lines of credit with various banks that totaled \$60.3 billion at December 31, 2004, of which \$23 billion represented short-term credit facilities and \$37.3 billion represented long-term credit facilities. At December 31, 2003, bank lines of credit totaled \$54.4 billion, of which \$18.5 billion represented short-term credit facilities and \$35.9 billion represented long-term credit facilities. The unused short-term and long-term portions of the credit lines totaled \$8.5 billion and \$35.9 billion at December 31, 2004 compared with \$6 billion and \$35.2 billion at December 31, 2003. Certain bank lines of credit contain covenants with which the Corporation and applicable subsidiaries were in compliance throughout the year ended December 31, 2004.

## Note 16 Pensions and Other Postretirement Benefits

GM sponsors a number of defined benefit pension plans covering substantially all U.S. and Canadian employees as well as certain other non-U.S. 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

other non-U.S. 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, or to directly pay benefit payments where appropriate. GM made pension contributions to the U.S. hourly and salaried, other U.S., and primary non-U.S. pension plans, or made direct payments where appropriate, as follows (dollars in millions):

	2004	2003	2002
U.S. hourly and salaried	\$ —	\$18,504	\$4,800
Other U.S.	117	117	98
Primary non-U.S. <sup>(1)</sup>	763	374	210

(1) GM's primary non-U.S. pension plans include its GM Canada Limited, Adam Opel and Vauxhall plans.

In 2005, GM does not have any contributions due for its U.S. hourly and salaried pension plans. It also does not anticipate making any discretionary contributions to its U.S. hourly and salaried pension plans. GM expects to contribute or pay benefits of approximately \$117 million to its other U.S. pension plans and \$464 million to its primary non-U.S. pension plans during 2005.

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. In 2004, GM contributed a total of \$9.0 billion to plan assets, including \$8.8 billion to its U.S. hourly and salaried Voluntary Employees' Beneficiary Association (VEBA) trusts for other postretirement employee benefit (OPEB) plans (consisting of \$8.4 billion in cash and \$0.4 billion in XM Satellite Radio Holdings, Inc. common stock shares) and \$0.2 billion to a salaried 401(h) account. This was the first such contribution related to the salaried OPEB plan and 401(h) account. GM contributed \$3.3 billion and \$1.0 billion to its hourly VEBA trust during 2003 and 2002, respectively. Contributions by participants to the other OPEB plans were \$87 million and \$84 million for the years ended December 31, 2004 and 2003, respectively. GM does not anticipate making any contributions to the VEBA trusts or 401(h) accounts for OPEB funding during 2005.

## Note 16 Pensions and Other Postretirement Benefits (continued)

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. GM's measurement dates for its Canadian, Adam Opel and Vauxhall Motors primary non-U.S. pension plans are December 1, October 1, and October 1, respectively.

(Dollars in millions)	U.S. Plans Pension Benefits		Non-U.S. Plans Pension Benefits		Other Benefits	
	2004	2003	2004	2003	2004	2003
<b>Change in benefit obligations</b>						
Benefit obligation at beginning of year	\$87,285	\$79,617	\$15,088	\$12,129	\$ 67,542	\$ 57,195
Service cost	1,097	919	247	228	605	537
Interest cost	5,050	5,162	892	803	3,927	3,798
Plan participants' contributions	22	22	26	23	87	84
Amendments	54	2,244	163	—	10	—
Actuarial losses	2,306	5,684	1,040	222	8,815	9,026
Benefits paid	(6,605)	(6,501)	(806)	(732)	(3,804)	(3,621)
Exchange rate movements	—	—	1,201	2,398	—	—
Curtailments, settlements, and other	175	138	205	17	292	523
Benefit obligation at end of year	89,384	87,285	18,056	15,088	77,474	67,542
<b>Change in plan assets</b>						
Fair value of plan assets at beginning of year	86,169	60,498	7,560	5,943	9,998	5,794
Actual return on plan assets	11,046	13,452	814	703	981	865
Employer contributions	117	18,621	802	442	5,037	3,339
Plan participants' contributions	22	22	26	23	—	—
Benefits paid	(6,605)	(6,501)	(806)	(732)	—	—
Exchange rate movements	—	—	627	1,181	—	—
Curtailments, settlements, and other	137	77	—	—	—	—
Fair value of plan assets at end of year	90,886	86,169	9,023	7,560	16,016	9,998
Funded status <sup>(1)</sup>	1,502	(1,116)	(9,033)	(7,528)	(61,458)	(57,544)
Unrecognized actuarial loss	30,228	32,997	5,411	4,401	28,742	21,079
Unrecognized prior service cost	5,862	7,087	808	694	(394)	(569)
Unrecognized transition obligation	—	—	39	43	—	—
Employer contributions in fourth quarter	—	—	—	—	4,000	—
Benefits paid in fourth quarter	—	—	—	—	999	742
Net amount recognized	\$37,592	\$38,968	\$ (2,775)	\$ (2,390)	\$ (28,111)	\$ (36,292)
Amounts recognized in the consolidated balance sheets consist of:						
Prepaid benefit cost	\$38,570	\$39,904	\$ 349	\$ 344	\$ —	\$ —
Accrued benefit liability	(1,152)	(1,139)	(8,303)	(6,885)	(28,111)	(36,292)
Intangible asset	—	1	765	639	—	—
Accumulated other comprehensive income	174	202	4,414	3,512	—	—
Net amount recognized	\$37,592	\$38,968	\$ (2,775)	\$ (2,390)	\$ (28,111)	\$ (36,292)

(1) Includes overfunded status of the combined U.S. hourly and salaried pension plans of \$3.0 billion as of December 31, 2004, and \$0.3 billion as of December 31, 2003.

## Note 16 Pensions and Other Postretirement Benefits *(continued)*

The total accumulated benefit obligation, the accumulated benefit obligation (ABO) and fair value of plan assets for GM's pension plans with ABO in excess of plan assets, and the projected benefit obligation (PBO) and fair value of plan assets for pension plans with PBO in excess of plan assets are as follows (dollars in millions):

	U.S. Plans		Non-U.S. Plans	
	2004	2003	2004	2003
Accumulated benefit obligation	<b>\$86,676</b>	\$84,821	<b>\$17,097</b>	\$14,228
<b>Plans with ABO in excess of plan assets</b>				
ABO	<b>\$ 1,224</b>	\$ 1,310	<b>\$16,631</b>	\$13,838
Fair value of plan assets	<b>85</b>	187	<b>8,388</b>	7,003
<b>Plans with PBO in excess of plan assets</b>				
PBO	<b>\$31,176</b>	\$30,087	<b>\$17,907</b>	\$14,965
Fair value of plan assets	<b>29,548</b>	27,778	<b>8,708</b>	7,273

The components of pension and OPEB expense along with the assumptions used to determine benefit obligations are as follows (dollars in millions):

	U.S. Plans Pension Benefits			Non-U.S. Plans Pension Benefits			Other Benefits		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
<b>Components of expense</b>									
Service cost	<b>\$ 1,097</b>	\$ 919	\$ 864	<b>\$ 247</b>	\$ 228	\$ 194	<b>\$ 637</b>	\$ 537	\$ 505
Interest cost	<b>5,050</b>	5,162	5,273	<b>892</b>	803	700	<b>4,119</b>	3,798	3,686
Expected return on plan assets	<b>(7,823)</b>	(6,374)	(7,096)	<b>(669)</b>	(573)	(580)	<b>(1,095)</b>	(444)	(390)
Amortization of prior service cost	<b>1,279</b>	1,148	1,253	<b>93</b>	101	93	<b>(79)</b>	(12)	(14)
Amortization of transition obligation/(asset)	—	—	—	<b>7</b>	11	25	—	—	—
Recognized net actuarial loss	<b>1,857</b>	1,744	730	<b>188</b>	167	62	<b>1,588</b>	717	321
Medicare Part D	—	—	—	—	—	—	<b>(603)</b>	—	—
Curtailments, settlements, and other	<b>34</b>	27	211	<b>204</b>	49	51	—	3	—
Net expense	<b>\$ 1,494</b>	\$ 2,626	\$ 1,235	<b>\$ 962</b>	\$ 786	\$ 545	<b>\$ 4,567</b>	\$4,599	\$4,108
<b>Weighted-average assumptions used to determine benefit obligations at December 31<sup>(1)</sup></b>									
Discount rate	<b>5.75%</b>	6.00%	6.75%	<b>5.61%</b>	6.12%	6.23%	<b>5.75%</b>	6.25%	6.75%
Rate of compensation increase	<b>5.0%</b>	5.0%	5.0%	<b>3.2%</b>	3.4%	3.4%	<b>3.9%</b>	4.1%	4.3%
<b>Weighted-average assumptions used to determine net expense for years ended December 31<sup>(2)</sup></b>									
Discount rate	<b>6.00%</b>	6.75%	7.25%	<b>6.12%</b>	6.23%	6.81%	<b>6.25%</b>	6.75%	7.25%
Expected return on plan assets	<b>9.0%</b>	9.0%	10.0%	<b>8.4%</b>	8.5%	8.8%	<b>8.0%</b>	7.0%	7.9%
Rate of compensation increase	<b>5.0%</b>	5.0%	5.0%	<b>3.4%</b>	3.4%	3.8%	<b>4.1%</b>	4.3%	4.7%

(1) Determined as of end of year

(2) Determined as of beginning of year

## Note 16 Pensions and Other Postretirement Benefits *(continued)*

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,	2004	2003
Initial health care cost trend rate	<b>10.5%</b>	8.5%
Ultimate health care cost trend rate	<b>5.0%</b>	5.0%
Number of years to ultimate trend rate	<b>6</b>	6

A one percentage point increase in the initial through ultimate assumed health care trend rates would have increased the Accumulated Postretirement Benefit Obligation (APBO) by \$8.4 billion at December 31, 2004 and the aggregate service and interest cost components of non-pension postretirement benefit expense for 2004 by \$543 million. A one-percentage point decrease would have decreased the APBO by \$7.0 billion and the aggregate service and interest cost components of non-pension postretirement benefit expense for 2004 by \$384 million.

GM's long-term strategic mix and expected return on assets assumptions are derived from detailed periodic studies conducted by GM's actuaries and GM's asset management group. The U.S. study includes a review of alternative asset allocation strategies, 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. The primary non-U.S. plans conduct similar studies in conjunction with local actuaries and asset managers. While the studies give appropriate consideration to recent fund performance and historical returns, the assumptions are primarily long-term, prospective rates.

The capital market assumptions underpinning GM's long-term strategic mix and long-term expected return assumptions are reexamined annually. Based on a study conducted 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%. The subsequent reexamination of capital market assumptions in 2004 reaffirmed both the 9% long-term expected return assumption and the changes in GM's long-term strategic allocation.

The strategic mix for U.S. pension plans that was implemented in the latter part of 2003 and the first half of 2004 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. As of December 31, 2004, GM pension assets had the following allocation ranges: global equity, 41%-49%; global bonds, 30%-36%; real estate, 8%-12%; and alternatives, 9%-13%. Overall, this strategic policy mix is expected to result in comparable but less volatile returns than GM's prior asset mix.

Prior to September 30, 2004, VEBA assets were 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 8.0% in 2004. With the significant contributions made to the hourly VEBA in 2004, a new investment policy was adopted during the year to manage plan assets under a single investment policy with an expanded range of asset classes. The new asset allocation was implemented on October 1, 2004. For 2005, the expected return for the hourly VEBA is 9.0%. In addition, in late 2004, a new salaried VEBA was created and funded. It is primarily invested in shorter-term liquid securities. For 2005, the expected return for the salaried VEBA is 4.5%.

U.S. and non-U.S. pension plans and OPEB plans have the following asset allocations, as of their respective measurement dates in 2003 and 2004:

Asset Category	Plan Assets U.S. Pension Plans		Plan Assets Primary Non-U.S. Pension Plans		Plan Assets OPEB	
	Actual Percentage of Plan Assets		Actual Percentage of Plan Assets		Actual Percentage of Plan Assets	
	2004	2003	2004	2003	2004	2003
Equity securities	<b>47%</b>	49%	<b>61%</b>	61%	<b>41%</b>	38%
Debt securities	<b>35%</b>	31%	<b>31%</b>	30%	<b>48%</b>	58%
Real estate	<b>8%</b>	8%	<b>8%</b>	9%	<b>2%</b>	1%
Other	<b>10%</b>	12%	<b>0%</b>	0%	<b>9%</b>	3%
Total	<b>100%</b>	100%	<b>100%</b>	100%	<b>100%</b>	100%

## Note 16 Pensions and Other Postretirement Benefits (concluded)

Equity securities include GM common stock in the amounts of \$29 million (less than 1% of total pension plan assets) and \$41 million (less than 1% of total pension plan assets) at December 31, 2004 and 2003, respectively.

On December 8, 2003, President Bush signed into law the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act). 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 elected not to defer accounting for the effects of the Act and remeasured GM's postretirement benefit obligation as of December 8, 2003. The remeasurement reduced GM's December 31, 2004 APBO by \$4.1 billion, increased plan assets by \$0.4 billion, and decreased the unrecognized actuarial loss by \$4.6 billion. The effect of the Act on 2004 OPEB expense is reflected in the tables above.

In accordance with GAAP, the effect of the Act is not reflected in the table above for December 31, 2003 data; however it is reflected in December 31, 2004 data.

The following benefit payments, which reflect estimated future employee service, as appropriate, are expected to be paid (dollars in millions):

	Pension Benefits		Other Benefits	
	U.S. Plans	Primary Non-U.S. Plans	Gross Benefit Payments	Gross Medicare Part D Receipts
2005	\$ 6,721	\$ 854	\$ 4,177	\$ —
2006	6,745	870	4,306	190
2007	6,786	902	4,501	280
2008	6,840	934	4,731	306
2009	6,874	969	4,939	331
2010-2014	\$34,371	\$5,414	\$26,847	\$1,932

## Note 17 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):

	2005	2006	2007	2008	2009	2010 and After
Minimum commitments	\$132	\$126	\$133	\$411	\$114	\$ 862
Sublease income	(19)	(19)	(19)	(19)	(19)	(317)
Net minimum commitments	\$113	\$107	\$114	\$392	\$ 95	\$ 545

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

	2005	2006	2007	2008	2009	2010 and After
Minimum commitments	\$ 898	\$ 946	\$ 782	\$1,290	\$ 674	\$ 4,249
Sublease income	(236)	(237)	(239)	(237)	(230)	(2,762)
Net minimum commitments	\$ 662	\$ 709	\$ 543	\$1,053	\$ 444	\$ 1,487

Certain of these minimum commitments fund the obligations of non-consolidated VIEs. Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were \$990 million, \$926 million, and \$985 million in 2004, 2003, and 2002, respectively.

GM sponsors a credit card program, entitled the GM Card program, which 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 \$4.5 billion, \$4.1 billion, and \$4.0 billion at December 31, 2004, 2003, and 2002, respectively.

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

Also, GM has entered into agreements with certain suppliers and service providers that guarantee the value of the supplier's assets and agreements with third parties that guarantee fulfillment of certain suppliers' commitments. The maximum exposure under these commitments amounts to \$131 million.

The Corporation has guaranteed certain amounts related to the securitization of mortgage loans. In addition, GMAC issues financial standby letters of credit as part of their financing and mortgage operations. At December 31, 2004, approximately \$55 million was recorded with respect to these guarantees, the maximum exposure under which is approximately \$7.8 billion.

## Note 17 Commitments and Contingent Matters *(concluded)*

In connection with certain divestitures prior to January 1, 2003, GM has provided guarantees with respect to benefits for former GM employees relating to pensions, postretirement health care 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, 2004. After discussion with counsel, it is the opinion of management that such liability is not expected to have a material adverse effect on the Corporation's consolidated financial condition or results of operations.

## Note 18 Stockholders' Equity

The following table presents changes in capital stock for the period from January 1, 2002 to December 31, 2004 (dollars in millions):

	Common Stocks		Total Capital Stock
	\$1-2/3 Par Value	Class H	
<b>Balance at January 1, 2002</b>	\$932	\$ 88	\$1,020
Shares issued	4	8	12
<b>Balance at December 31, 2002</b>	936	96	1,032
Shares issued	1	15	16
Hughes split-off	—	(111)	(111)
<b>Balance at December 31, 2003</b>	937	—	937
Shares issued	5	—	5
<b>Balance at December 31, 2004</b>	<b>\$942</b>	<b>\$ —</b>	<b>\$ 942</b>

### GM Class H Stock

Effective December 22, 2003, 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.

## Note 18 Stockholders' Equity (concluded)

### 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,	2004			2003			2002		
	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	\$1,237	\$ 616	\$ 621	\$ 1,642	\$ 673	\$ 969	\$ 67	\$ (18)	\$ 85
Unrealized (loss) gain on securities:									
Unrealized holding (loss) gain	299	114	185	465	166	299	(501)	(166)	(335)
Reclassification adjustment	(80)	(28)	(52)	(84)	(31)	(53)	611	220	391
Net unrealized gain	219	86	133	381	135	246	110	54	56
Minimum pension liability adjustment	(874)	(303)	(571)	33,378	12,623	20,755	(21,746)	(8,127)	(13,619)
Net unrealized gain on derivatives	701	163	538	329	73	256	151	49	102
Amounts attributable to Hughes	—	—	—	—	—	—	(300)	(139)	(161)
Other comprehensive income (loss)	\$1,283	\$ 562	\$ 721	\$35,730	\$13,504	\$22,226	\$(21,718)	\$(8,181)	\$(13,537)

## Note 19 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,	2004	2003	2002
Earnings attributable to common stocks \$1-2/3 par value			
Continuing operations	\$2,805	\$2,862	\$1,975
Discontinued operations	—	(48)	(90)
Gain on sale of discontinued operations	—	1,249	—
Earnings attributable to \$1-2/3 par value	\$2,805	\$4,063	\$1,885
Earnings from discontinued operations attributable to Class H	\$ —	\$ (241)	\$ (195)
Total earnings attributable to common stocks	\$2,805	\$3,822	\$1,690

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 periods for which GM H stock was outstanding.

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, and 920 million as of December 31, 2002) 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.

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

	\$1-2/3 Par Value Common Stock		
	Income	Shares	Per Share Amount
<b>Year ended December 31, 2004</b>			
<b>Basic EPS</b>			
Income from continuing operations attributable to common stocks	\$2,805	565	\$4.97
<b>Effect of Dilutive Securities</b>			
Assumed exercise of dilutive stock options	—	2	
<b>Diluted EPS</b>			
Adjusted income attributable to common stocks	\$2,805	567	\$4.95
<b>Year ended December 31, 2003</b>			
<b>Basic EPS</b>			
Income from continuing operations attributable to common stocks	\$2,862	561	\$5.10
<b>Effect of Dilutive Securities</b>			
Assumed exercise of dilutive stock options	—	8	
<b>Diluted EPS</b>			
Adjusted income attributable to common stocks	\$2,862	569	\$5.03
<b>Year ended December 31, 2002</b>			
<b>Basic EPS</b>			
Income from continuing operations attributable to common stocks	\$1,975	560	\$3.53
<b>Effect of Dilutive Securities</b>			
Assumed exercise of dilutive stock options	—	2	
<b>Diluted EPS</b>			
Adjusted income attributable to common stocks	\$1,975	562	\$3.51

## Note 19 Earnings Per Share Attributable to Common Stocks *(concluded)*

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 88 million, 176 million, and 66 million as of December 31, 2004, 2003 and 2002, respectively.

As of December 31, 2004 GM had \$8.1 billion of convertible debentures outstanding, including \$1.2 billion principal amount of 4.5% Series A convertible senior debentures due 2032 (Series A), \$2.6 billion principal amount of 5.25% Series B convertible senior debentures due 2032 (Series B), and \$4.3 billion principal amount of 6.25% Series C convertible senior debentures due 2033 (Series C). In October 2004, the FASB ratified the consensus of the EITF with respect to Issue No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." On November 5, 2004, GM unilaterally and irrevocably waived, and relinquished, its right (the waiver) to use stock, and has committed to use cash, to settle the principal amount of the securities if (1) holders ever choose to convert the securities or (2) GM is ever required by holders to repurchase the securities. GM retains the right to use either cash or stock to settle any amount that might become due to security holders in excess of the principal amount (the in-the-money amount). The various circumstances under which conversion of the securities may occur are described in the paragraphs 1-4 below, while paragraph 5 describes the circumstances under which GM might be required to repurchase the securities.

- 1) If the closing sale price of GM's \$1-2/3 par value common stock exceeds 120% of the conversion price (of \$70.20 for Series A, of \$64.90 for Series B and of \$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) If the debentures have been called for redemption (Series A on March 6, 2007, Series B on March 6, 2009 and Series C on July 20, 2010); or
- 4) Upon the occurrence of specified corporate events; or

- 5) If the investor requires GM to repurchase the debentures (Series A: on March 6 of 2007, 2012, 2017, 2022 and 2027, or, if any of those days is not a business day, on the next succeeding business day; Series B: on March 6 of 2014, 2019, 2024 and 2029, or, if any of those days is not a business day, on the next succeeding business day; Series C: on July 15 of 2018, 2023 and 2028 or, if any of those days is not a business day, on the next succeeding business day).

No shares potentially issuable to satisfy the in-the-money-amount of the convertible debentures have been included in diluted earnings per share as of December 31, 2004, as the convertible debentures have not met the requirements for conversion.

## Note 20 Derivative Financial Instruments and Risk Management

GM is exposed to market risk from changes in foreign currency exchange rates, interest rates, and certain commodity 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 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 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 and to hedge exposure to variability in cash flows related to floating rate and foreign currency financial instruments. For transactions denominated in foreign currencies, GM typically hedges forecasted and firm commitment exposures up to three years in the future. For commodities, GM typically hedges exposures up to three years in the future. For the year ended December 31, 2004, hedge ineffectiveness associated with instruments designated as cash flow hedges decreased cost of sales and other expenses by \$26 million. 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 \$19 million. 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

## Note 20 Derivative Financial Instruments and Risk Management *(concluded)*

December 31, 2004, net derivative gains of \$245 million were reclassified to cost of sales and other expenses. For the year ended December 31, 2003, net derivative gains of \$245 million were likewise reclassified. These net losses/gains were offset by net gains/losses on the transactions being hedged. Approximately \$157 million of net derivative gains included in other comprehensive income at December 31, 2004, is expected to be reclassified into earnings within 12 months from that date. During 2004, there were net gains of approximately \$26 million which were reclassified into earnings as a result of discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur.

### 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, 2004, hedge ineffectiveness associated with instruments designated as fair value hedges, primarily due to hedging of MSRs, decreased selling, general, and administrative expenses by \$104 million and decreased selling, general, and administrative expenses by \$391 million in 2003. Changes in time value of the instruments (which are excluded from the assessment of hedge effectiveness) decreased selling, general, and administrative expenses by \$180 million in 2004 and \$175 million in 2003.

### Net Investment Hedges

GM uses foreign currency denominated debt to hedge the foreign currency exposure of its net investments in foreign operations. Foreign currency translation gains and losses related to these debt instruments are recorded in Other Comprehensive Loss as a foreign currency translation adjustment. For the years ended December 31, 2004 and 2003, a \$64 million and \$48 million unrealized loss were recorded in accumulated foreign currency translation.

### Undesignated Derivative Instruments

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

## Note 21 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.

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,	2004		2003	
	Book Value	Fair Value	Book Value	Fair Value
<b>Automotive and Other Operations</b>				
Assets				
Other assets <sup>(1)</sup>	\$ 841	\$ 520	\$ 771	\$ 500
Derivative assets	\$ 2,089	\$ 2,089	\$ 1,234	\$ 1,234
Liabilities				
Long-term debt <sup>(2)</sup>	\$ 30,460	\$ 31,276	\$ 29,593	\$ 31,859
Other liabilities <sup>(1)</sup>	\$ 537	\$ 591	\$ 528	\$ 571
Derivative liabilities	\$ 724	\$ 724	\$ 356	\$ 356
<b>Financing and Insurance Operations</b>				
Assets				
Finance receivables – net <sup>(3)</sup>	\$199,600	\$199,827	\$174,769	\$177,216
Derivative assets	\$ 9,489	\$ 9,489	\$ 10,026	\$ 10,026
Liabilities				
Debt <sup>(2)</sup>	\$267,757	\$268,813	\$239,350	\$244,641
Derivative liabilities	\$ 953	\$ 953	\$ 1,196	\$ 1,196
Other liabilities	\$ 4,230	\$ 4,106	\$ 1,754	\$ 1,660

- (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, 2004 and 2003.

## Note 22 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 10.9 million were available for grants at December 31, 2004. 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 0.4 million shares of GM \$1-2/3 par value common stock were available for grants at December 31, 2004. 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 three-year performance period and the final award payout may vary based on the achievement of those criteria. As of December 31, 2004, a total of 4.0 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 <sup>(1)</sup>
Equity compensation plans approved by security holders:			
GMSIP	79,455,293	\$54.53	10,873,308
Equity compensation plans not approved by security holders <sup>(2)</sup> :			
GMSSOP	27,590,626	\$55.17	394,335
<b>Total</b>	<b>107,045,919</b>	<b>\$54.69</b>	<b>11,267,643</b>

(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 stockholders. 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.

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:

	2004		2003		2002	
	GMSIP	GMSSOP	GMSIP	GMSSOP	GMSIP	GMSSOP
Interest rate	<b>3.1%</b>	<b>3.1%</b>	2.9%	2.9%	4.3%	4.3%
Expected life (years)	<b>5.0</b>	<b>5.0</b>	5.0	5.0	5.0	5.0
Expected volatility	<b>33.9%</b>	<b>33.9%</b>	35.4%	35.4%	34.6%	34.6%
Dividend yield	<b>3.7</b>	<b>3.7%</b>	5.0%	5.0%	4.0%	4.0%

## Note 22 Stock Incentive Plans (concluded)

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, 2002	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
Granted	8,055,460	\$53.83	3,315,479	\$53.92
Exercised	1,346,996	\$40.77	31,320	\$47.92
Terminated	1,738,737	\$55.26	83,589	\$54.02
<b>Options outstanding at December 31, 2004</b>	<b>79,455,293</b>	<b>\$54.53</b>	<b>27,590,626</b>	<b>\$55.17</b>
Options exercisable at 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
<b>December 31, 2004</b>	<b>59,445,049</b>	<b>\$56.69</b>	<b>18,667,303</b>	<b>\$59.94</b>

The following table summarizes information about GM's stock option plans at December 31, 2004:

Range of Exercise Prices	Options Outstanding	Weighted-Average Remaining Contractual Life (yrs.)	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
GMSIP \$1-2/3 Par Value Common					
\$21.00 to \$39.99	475,195	2.3	\$34.16	403,465	\$33.61
40.00 to 49.99	23,567,137	5.0	\$42.75	16,514,153	\$43.89
50.00 to 59.99	35,364,084	7.1	\$51.96	22,478,554	\$51.62
60.00 to 83.50	20,048,877	4.5	\$73.40	20,048,877	\$73.40
<b>\$21.00 to \$83.50</b>	<b>79,455,293</b>	<b>5.8</b>	<b>\$54.53</b>	<b>59,445,049</b>	<b>\$56.69</b>
GMSSOP \$1-2/3 Par Value Common					
\$40.05	5,609,069	8.1	\$40.05	—	\$ —
46.59	2,236,818	3.0	\$46.59	2,236,818	\$46.59
50.46	4,908,553	7.0	\$50.46	4,908,553	\$50.46
52.35	3,808,686	6.0	\$52.35	3,808,686	\$52.35
53.92	3,314,254	9.1	\$53.92	—	\$ —
71.53	3,728,496	4.0	\$71.53	3,728,496	\$71.53
75.50	3,984,750	5.0	\$75.50	3,984,750	\$75.50
<b>\$40.05 to \$75.50</b>	<b>27,590,626</b>	<b>6.3</b>	<b>\$55.17</b>	<b>18,667,303</b>	<b>\$59.94</b>

## Note 23 Other Income

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

Years ended December 31,	2004	2003	2002
<b>Automotive and Other Operations</b>			
Interest income	\$ 816	\$ 1,389	\$ 905
Rental car lease revenue	2,112	1,460	1,214
Claims, commissions, and grants	1,097	916	846
Gain on sale of GM Defense	—	814	—
Other	792	400	239
Total other income	\$ 4,817	\$ 4,979	\$ 3,204
<b>Financing and Insurance Operations</b>			
Interest income	\$ 807	\$ 684	\$ 417
Insurance premiums	3,528	3,178	2,678
Mortgage banking income	2,969	4,204	3,417
Automotive securitization income	753	760	1,028
Other	3,280	2,303	2,448
Total other income	\$11,337	\$11,129	\$ 9,988

## Note 24 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, 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 by 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 24 Segment Reporting (continued)

<i>(Dollars in millions)</i>	GMNA	GME	GMLAAM
<b>2004</b>			
Manufactured products sales and revenues:			
External customers	<b>\$112,881</b>	<b>\$29,126</b>	<b>\$8,045</b>
Intersegment	<b>(2,602)</b>	<b>1,030</b>	<b>673</b>
<i>Total manufactured products</i>	<b>110,279</b>	<b>30,156</b>	<b>8,718</b>
Financing revenue	—	—	—
Other income	<b>4,266</b>	<b>664</b>	<b>74</b>
<i>Total net sales and revenues</i>	<b>\$114,545</b>	<b>\$30,820</b>	<b>\$8,792</b>
Depreciation and amortization	<b>\$ 6,381</b>	<b>\$ 1,779</b>	<b>\$ 195</b>
Interest income <sup>(a)</sup>	<b>\$ 1,026</b>	<b>\$ 392</b>	<b>\$ 20</b>
Interest expense	<b>\$ 2,729</b>	<b>\$ 403</b>	<b>\$ 74</b>
Income tax expense (benefit)	<b>\$ (559)</b>	<b>\$ (655)</b>	<b>\$ 31</b>
Earnings (losses) of nonconsolidated associates	<b>\$ 40</b>	<b>\$ 102</b>	<b>\$ (3)</b>
Net income (loss) from continuing operations	<b>\$ 1,583</b>	<b>\$ (976)</b>	<b>\$ 85</b>
Investments in nonconsolidated affiliates	<b>\$ 482</b>	<b>\$ 1,476</b>	<b>\$ 276</b>
Segment assets	<b>\$126,849</b>	<b>\$26,485</b>	<b>\$4,193</b>
Expenditures for property	<b>\$ 5,163</b>	<b>\$ 1,331</b>	<b>\$ 158</b>
<b>2003</b>			
Manufactured products sales and revenues:			
External customers	\$114,756	\$25,960	\$4,755
Intersegment	(2,044)	946	555
<i>Total manufactured products</i>	112,712	26,906	5,310
Financing revenue	—	—	—
Other income	3,598	572	77
<i>Total net sales and revenues</i>	\$116,310	\$27,478	\$5,387
Depreciation and amortization	\$ 6,199	\$ 1,211	\$ 248
Interest income <sup>(a)</sup>	\$ 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
<b>2002</b>			
Manufactured products sales and revenues:			
External customers	\$115,041	\$22,409	\$4,698
Intersegment	(2,038)	1,057	327
<i>Total manufactured products</i>	113,003	23,466	5,025
Financing revenue	—	—	—
Other income	2,806	446	85
<i>Total net sales and revenues</i>	\$115,809	\$23,912	\$5,110
Depreciation and amortization	\$ 4,853	\$ 1,080	\$ 178
Interest income <sup>(a)</sup>	\$ 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

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

(b) Includes assets of discontinued operations of \$18,653 at December 31, 2002.

GMAP	GMA	Other	Auto & Other	GMAC	Other Financing	Total Financing
\$5,775	\$155,827	\$ 901	\$156,728	\$ —	\$ —	\$ —
903	4	(4)	—	—	—	—
6,678	155,831	897	156,728	—	—	—
—	—	—	—	20,331	304	20,635
300	5,304	(487)	4,817	10,857	480	11,337
\$6,978	\$161,135	\$ 410	\$161,545	\$ 31,188	\$ 784	\$ 31,972
\$ 235	\$ 8,590	\$ 39	\$ 8,629	\$ 5,299	\$ 224	\$ 5,523
\$ 13	\$ 1,451	\$ (635)	\$ 816	\$ 1,117	\$ (310)	\$ 807
\$ 21	\$ 3,227	\$ (747)	\$ 2,480	\$ 9,535	\$ (35)	\$ 9,500
\$ (11)	\$ (1,194)	\$(1,131)	\$ (2,325)	\$ 1,434	\$ (20)	\$ 1,414
\$ 666	\$ 805	\$ (16)	\$ 789	\$ (6)	\$ —	\$ (6)
\$ 729	\$ 1,421	\$(1,510)	\$ (89)	\$ 2,913	\$ (19)	\$ 2,894
\$4,541	\$ 6,775	\$ 1	\$ 6,776	\$ 179	\$ (179)	\$ —
\$4,970	\$162,497	\$(3,194)	\$159,303	\$324,139	\$(1,413)	\$322,726
\$ 496	\$ 7,148	\$ 136	\$ 7,284	\$ 470	\$ (1)	\$ 469
\$4,578	\$150,049	\$ 803	\$150,852	\$ —	\$ —	\$ —
543	—	—	—	—	—	—
5,121	150,049	803	150,852	—	—	—
—	—	—	—	18,247	630	18,877
217	4,464	515	4,979	11,101	28	11,129
\$5,338	\$154,513	\$ 1,318	\$155,831	\$ 29,348	\$ 658	\$ 30,006
\$ 233	\$ 7,891	\$ 55	\$ 7,946	\$ 5,279	\$ 288	\$ 5,567
\$ 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	\$ 473	\$ 2	\$ 475
\$3,663	\$145,811	\$ 1,253	\$147,064	\$ —	\$ —	\$ —
654	—	(18)	(18)	—	—	—
4,317	145,811	1,235	147,046	—	—	—
—	—	—	—	16,880	749	17,629
207	3,544	(340)	3,204	10,003	(15)	9,988
\$4,524	\$149,355	\$ 895	\$150,250	\$ 26,883	\$ 734	\$ 27,617
\$ 143	\$ 6,254	\$ 70	\$ 6,324	\$ 4,840	\$ 405	\$ 5,245
\$ 12	\$ 1,355	\$ (450)	\$ 905	\$ 687	\$ (270)	\$ 417
\$ 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 <sup>(b)</sup>	\$227,728	\$ 440	\$228,168
\$ 263	\$ 6,359	\$ 55	\$ 6,414	\$ 451	\$ 6	\$ 457

## Note 24 Segment Reporting *(concluded)*

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

	2004		2003		2002	
	Net Sales and Revenues	Long-Lived Assets <sup>(1)</sup>	Net Sales and Revenues	Long-Lived Assets <sup>(1)</sup>	Net Sales and Revenues	Long-Lived Assets <sup>(1)</sup>
North America						
United States	<b>\$134,380</b>	<b>\$46,712</b>	\$133,955	\$47,354	\$130,552	\$45,964
Canada and Mexico	<b>15,484</b>	<b>10,443</b>	14,667	8,530	15,049	6,897
<i>Total North America</i>	<b>149,864</b>	<b>57,155</b>	148,622	55,884	145,601	52,861
Europe						
France	<b>2,669</b>	<b>262</b>	2,429	216	2,073	183
Germany	<b>6,710</b>	<b>4,479</b>	5,945	3,996	5,363	3,244
Spain	<b>2,661</b>	<b>1,181</b>	2,143	1,256	1,721	1,076
United Kingdom	<b>7,563</b>	<b>2,273</b>	6,480	2,244	5,513	2,096
Other	<b>13,622</b>	<b>3,805</b>	12,356	3,537	10,450	2,953
<i>Total Europe</i>	<b>33,225</b>	<b>12,000</b>	29,353	11,249	25,120	9,552
Latin America						
Brazil	<b>2,987</b>	<b>609</b>	2,328	584	2,487	619
Other Latin America	<b>2,611</b>	<b>180</b>	1,685	186	2,287	185
<i>Total Latin America</i>	<b>5,598</b>	<b>789</b>	4,013	770	4,774	804
All other	<b>4,830</b>	<b>3,290</b>	3,849	2,820	2,372	2,404
<i>Total</i>	<b>\$193,517</b>	<b>\$73,234</b>	\$185,837	\$70,723	\$177,867	\$65,621

(1) Consists of property (Note 11) and equipment on operating leases (Note 9), net of accumulated depreciation.

## Note 25 Subsequent Events

On February 3, 2005 GM completed the purchase of 16.6 million newly-issued shares of common stock in GM-DAT for approximately \$49 million. This increased GM's ownership in GM-DAT to 48.2% from 44.6%. No other shareholders in GM-DAT participated in the issue.

On February 13, 2005 GM and Fiat reached a settlement agreement whereby GM will pay Fiat approximately \$2.0 billion and will return its 10% equity interest in FAH to terminate the Master Agreement (including the Put Option) entered into in March 2000, settle various disputes related thereto, and acquire an interest in key strategic diesel engine assets, and other important rights with respect to diesel engine technology and know-how. The settlement agreement results in a pre-tax charge to earnings of approximately \$1.4 billion (\$886 million after tax or \$1.56 per fully diluted share). Since the underlying events and disputes giving rise to GM's and Fiat's agreement to settle these disputes and terminate the Master Agreement (including the Put Option) existed at December 31, 2004, GM recognized this charge in the fourth quarter of 2004. This charge was recorded in cost of sales and other expenses in Other Operations.

In addition, the settlement agreement includes, among other things, the following actions or provisions:

- The FGP joint venture company will be dissolved and GM will regain complete ownership of all GM assets originally contributed. During a transition period, FGP will continue to supply both companies so that their respective operations will not be disrupted.
- GM will retain co-ownership with Fiat of the key powertrain intellectual property, including SDE and JTD diesel engines and the M20-32 six-speed manual transmission.

- GM will hold a 50% interest in a joint venture limited to operating the powertrain manufacturing plant in Bielsko-Biala, Poland, that currently produces the 1.3 liter SDE diesel engine.
- The companies will continue to supply each other with powertrains under long term contracts which provide considerable ongoing savings.
- GM and Fiat will also continue to work together to develop certain car programs.
- Fiat will participate in GM's purchasing alliance program.
- GM and Fiat have exchanged broad releases of all claims and liabilities.

GM announced on March 1, 2005 that it would permanently lay off approximately 3,000 employees at GM's assembly plant in Lansing, Michigan. The products built there (Chevrolet Classic and Pontiac Grand Am) have reached the end of their lifecycles and market demand for these products has declined over time and does not support continuing production of these vehicles. Therefore, both products are being discontinued and production at the plant is being discontinued overall. GM expects the lay-offs to occur during the second quarter of 2005. GM will recognize a pre-tax charge of approximately \$121 million (\$79 million after tax) for the write-down to fair market value of various plant assets in the first quarter of 2005. Continued payment of compensation and other benefits to laid-off employees is estimated to be \$20 million per month, which is expected to decline as employees are redeployed, retire, or otherwise terminate their employment.

## Supplementary Information Selected Quarterly Data (Unaudited)

(Dollars in millions, except per share amounts)	2004 Quarters <sup>(1)</sup>							
	1st		2nd		3rd		4th <sup>(2)</sup>	
	As previously reported	Restated	As previously reported	Restated	As previously reported	Restated	As previously announced	Revised
Total net sales and revenues	\$47,852	\$47,862	\$49,279	\$49,293	\$44,977	\$44,934	\$51,344	\$51,428
Income (losses) from continuing operations before income taxes and minority interests	\$ 1,301	\$ 1,264	\$ 1,457	\$ 1,466	\$ 338	175	\$ (527)	\$ (1,713)
Income tax expense (benefit)	273	308	306	302	71	10	(1,070)	(1,531)
Minority interests	(23)	(23)	(23)	(23)	(12)	(12)	(23)	(23)
Earnings of nonconsolidated associates	275	275	213	236	185	162	110	110
Net income	\$ 1,280	\$ 1,208	\$ 1,341	\$ 1,377	\$ 440	\$ 315	\$ 630	\$ (95)
Basic earnings (losses) per share attributable to \$1-2/3 par value	\$ 2.27	\$ 2.14	\$ 2.37	\$ 2.44	\$ 0.78	\$ 0.56	\$ 1.12	\$ (0.17)
Average number of shares of common stock outstanding – basic (in millions) \$1-2/3 par value	564	564	565	565	565	565	565	565
Earnings (loss) per share attributable to common stock assuming dilution \$1-2/3 par value	\$ 2.25	\$ 2.12	\$ 2.36	\$ 2.42	\$ 0.78	\$ 0.56	\$ 1.11	\$ (0.17)
Average number of shares of common stock outstanding – diluted (in millions) \$1-2/3 par value	569	569	568	568	567	567	566	566
Net income (loss) by reportable operating segment/region								
Automotive and Other Operations								
GMNA	\$ 451	\$ 401	\$ 328	\$ 355	\$ (22)	\$ (88)	\$ 878	\$ 915
GME	(116)	(116)	(45)	(45)	(236)	(236)	(579)	(579)
GMLAAM	1	1	10	10	27	27	47	47
GMAP	275	275	236	259	101	78	117	117
Other Operations	(117)	(117)	(34)	(34)	(83)	(83)	(442)	(1,276)
Net income (loss) – Automotive and Other Operations	494	444	495	545	(213)	(302)	21	(776)
Financing and Insurance Operations								
Net income – Financing and Insurance Operations	786	764	846	832	653	617	609	681
Net income	\$ 1,280	\$ 1,208	\$ 1,341	\$ 1,377	\$ 440	\$ 315	\$ 630	\$ (95)

### (1) Out-of-period adjustments

GM is making certain adjustments to restate previously reported financial results for the first three quarters of 2004 and revise previously announced fourth quarter 2004 results that do not affect GM's 2004 total annual results, cash flows or year-end 2004 financial position. None of the adjustments that gave rise to the restatements were individually material to the Corporation's 2004 quarterly and annual consolidated financial statements.

The quarterly restatements were initiated by the identification of certain out-of-period adjustments in the fourth quarter of 2004 by internal controls that had been put in place in connection with GM's Sarbanes-Oxley Section 404 program at GMAC's residential mortgage businesses. The majority of these amounts resulted from items detected and recorded in the fourth quarter of 2004 that relate to prior 2004 quarters. The most significant of these adjustments relate to: (1) the estimation of fair values of certain interests in securitized assets, (2) the accounting for deferred income taxes related to certain secured financing transactions; and (3) the income statement effects of consolidating certain mortgage transfers previously recognized as sales.

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

#### Fiat settlement

On February 13, 2005 GM and Fiat reached a settlement agreement. The settlement agreement results in a pre-tax charge to earnings of approximately \$1.4 billion (\$886 million after tax or \$1.56 per fully diluted share). Since the underlying events and disputes giving rise to GM's and Fiat's agreement existed at December 31, 2004, GM recognized this charge in the fourth quarter of 2004, recording it in cost

of sales and other expenses in Other Operations. See Note 25 to the Consolidated Financial Statements.

As a result of these adjustments, quarterly net income increased (decreased) as follows (dollars in millions):

	2004 Quarters				2004 Calendar Year
	1st	2nd	3rd	4th	
Out-of-period adjustments	\$(72)	\$36	\$(125)	\$ 161	\$ –
Fiat settlement	–	–	–	(886)	(886)
Total increase (decrease) to net income	\$(72)	\$36	\$(125)	\$(725)	\$(886)

(a) As previously reported in Forms 10-Q for the 1st, 2nd, and 3rd quarters; as previously announced and furnished on Form 8-K for the 4th quarter.

### (2) Fourth quarter 2004 results include the following:

- An after-tax gain of \$118 million resulting from the contribution of 11 million shares of XM Satellite Radio Holdings Inc. Class A common, stock valued at \$432 million to GM's Voluntary Employees' Beneficiary Association (VEBA);
  - A \$78 million after-tax charge related primarily to previously announced facilities rationalization actions at GM's Baltimore, MD and Linden, NJ plants;
  - A \$383 million after-tax charge related to the results of GM's annual review of the carrying value of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives;
  - A \$136 million after-tax charge related to the write-off of GM's remaining investment balance in Fiat Auto Holdings, B.V. (FAH) and reflects completion of an impairment study relating to the carrying value of that investment; and
  - A \$540 million after-tax favorable adjustment for various adjustments resulting from changes in tax laws both in the U.S. and overseas and capital loss carry-forwards.
- An after-tax charge of \$886 million related to the February 13, 2005 GM and Fiat agreement under which GM will pay Fiat approximately \$2.0 billion and will return its 10% equity interest in FAH to settle various disputes and terminate the Master Agreement (including the Put Option) entered into in March 2000, and acquire an interest in key strategic diesel engine assets, and other important rights with respect to diesel engine technology and know-how.

## Supplementary Information Selected Quarterly Data (Unaudited)<sup>(1)</sup>

(Dollars in millions, except per share amounts)	2003 Quarters			
	1st <sup>(2)</sup>	2nd	3rd	4th <sup>(3)</sup>
Total net sales and revenues	\$47,199	\$46,098	\$43,701	\$48,839
Income (losses) from continuing operations before income taxes and minority interests	\$ 2,198	\$ 931	\$ 387	\$ (536)
Income tax expense (benefit)	682	244	134	(329)
Minority interests	(20)	(11)	19	(103)
Earnings of nonconsolidated associates	41	203	176	308
Income (losses) from continuing operations	1,537	879	448	(2)
Income (losses) 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 (losses) 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 (losses) 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 (losses) 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 Financial Data

(Dollars in millions, except per share amounts)	Years ended December 31				
	2004	2003	2002	2001	2000
Total net sales and revenues	<b>\$193,517</b>	\$185,837	\$177,867	\$169,051	\$173,943
Income from continuing operations	<b>\$ 2,805</b>	\$ 2,862	\$ 1,975	\$ 1,222	\$ 3,639
Income (loss) from discontinued operations	—	(219)	(239)	(621)	813
Gain from sale of discontinued operations	—	1,179	—	—	—
Net income <sup>(1)</sup>	<b>\$ 2,805</b>	\$ 3,822	\$ 1,736	\$ 601	\$ 4,452
<b>\$1-2/3 par value common stock</b>					
Basic earnings per share (EPS) from continuing operations	<b>\$ 4.97</b>	\$ 5.10	\$ 3.53	\$ 2.21	\$ 6.23
Basic earnings (losses) per share from discontinued operations	\$ —	\$ 2.14	\$ (0.16)	\$ (0.42)	\$ 0.59
Diluted EPS from continuing operations	<b>\$ 4.95</b>	\$ 5.03	\$ 3.51	\$ 2.20	\$ 6.12
Diluted earnings (losses) per share from discontinued operations	\$ —	\$ 2.11	\$ (0.16)	\$ (0.43)	\$ 0.58
Cash dividends declared per share	<b>\$ 2.00</b>	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
<b>Class H common stock <sup>(2)</sup></b>					
Basic earnings (losses) per share from discontinued operations	\$ —	\$ (0.22)	\$ (0.21)	\$ (0.55)	\$ 0.55
Diluted earnings (losses) per share from discontinued operations	\$ —	\$ (0.22)	\$ (0.21)	\$ (0.55)	\$ 0.54
Cash dividends declared per share	\$ —	\$ —	\$ —	\$ —	\$ —
Total assets	<b>\$479,603</b>	\$448,507	\$369,053	\$322,412	\$301,129
Notes and loans payable	<b>\$300,279</b>	\$271,756	\$200,168	\$165,361	\$144,783
GM-obligated mandatorily redeemable preferred securities of subsidiary trusts	\$ —	\$ —	\$ —	\$ —	\$ 139
Stockholders' equity	<b>\$ 27,726</b>	\$ 25,268	\$ 6,814	\$ 19,707	\$ 30,175

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. Effective January 1, 2003, the Corporation began expensing the fair market value of newly granted stock options and other stock-based compensation awards issued to employees to conform to SFAS No. 123, "Accounting for Stock-Based Compensation." Effective July 1, 2003, the Corporation began consolidating certain variable interest entities to conform to FASB Interpretation No. 46, "Consolidation of Variable Interest Entities."
- (2) Adjusted to reflect the three-for-one stock split of the GMH common stock, in the form of a 200% stock dividend, paid on June 30, 2000. Effective December 22, 2003 GM split-off Hughes by distributing Hughes common stock to the holders of GMH common stock in exchange for all outstanding shares of GMH common stock. Simultaneously, GM sold its 19.8% economic interest in Hughes to News Corporation in exchange for cash and News Corporation Preferred ADSs. All shares of GMH common stock were then cancelled. See Note 2 to the Consolidated Financial Statements.

Board of Directors and Committees *(as of December 31, 2004)*

**E. Stanley O'Neal** <sup>4,5</sup>  
Chairman and  
Chief Executive Officer,  
Merrill Lynch & Co., Inc.  
Director since 2001

**Philip A. Laskawy** <sup>1,4</sup>  
Retired Chairman and  
Chief Executive Officer,  
Ernst & Young  
Director since 2003

**Karen Katen** <sup>2,3</sup>  
President –  
Pfizer Global Pharmaceuticals  
Executive Vice President –  
Pfizer Inc  
Director since 1997

**Armando M. Codina** <sup>4,5</sup>  
Chairman and  
Chief Executive Officer,  
Codina Group, Inc.  
Director since 2002

**Alan G. Lafley** <sup>1,2</sup>  
Chairman, President and  
Chief Executive,  
The Procter & Gamble Company  
Director since 2002

**George M.C. Fisher** <sup>2,3</sup>  
Retired Chairman and  
Chief Executive Officer,  
Eastman Kodak Company  
Director since 1996



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Philip A. Laskawy, Chair

**2 Directors and Corporate Governance Committee**

George M.C. Fisher, Chair

**3 Executive Compensation Committee**

John H. Bryan, Chair

**4 Investment Funds Committee**

E. Stanley O'Neal, Chair

**5 Public Policy Committee**

Percy N. Barnevik, Chair

**Percy N. Barnevik** <sup>2,5</sup>

Retired Chairman,  
AstraZeneca PLC  
Director since 1996

**Eckhard Pfeiffer** <sup>1,4</sup>

Retired President and  
Chief Executive Officer,  
Compaq Computer Corporation  
Director since 1996

**Kent Kresa** <sup>1,4</sup>

Chairman Emeritus,  
Northrop Grumman Corporation  
Director since 2003

**Ellen J. Kullman** <sup>4,5</sup>

Group Vice President –  
Safety and Protection,  
E.I. du Pont de Nemours  
and Company  
Director since 2004

**John H. Bryan** <sup>2,3</sup>

Retired Chairman and  
Chief Executive Officer,  
Sara Lee Corporation  
Director since 1993

**G. Richard Wagoner, Jr.**

Chairman and  
Chief Executive Officer,  
General Motors Corporation  
Director since 1998



## General Motors Senior Leadership Group (as of April 1, 2005)

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

**John M. Devine**  
Vice Chairman and  
Chief Financial Officer

**Robert A. Lutz**  
Vice Chairman, Product  
Development and Chairman,  
GM North America

**Thomas A. Gottschalk**  
Executive Vice President,  
Law & Public Policy and  
General Counsel

**Guy D. Briggs**  
Group Vice President,  
North America Manufacturing  
and Labor Relations

**Troy A. Clarke**  
Group Vice President and  
President, GM Asia Pacific

**Gary L. Cowger**  
Group Vice President and  
President, GM North America

**Eric A. Feldstein**  
Group Vice President and  
Chairman, GMAC

**Frederick A. Henderson**  
Group Vice President and  
Chairman, GM Europe

**Maureen Kempston Darkes**  
Group Vice President and  
President, GM Latin America,  
Africa and Middle East

**John F. Smith**  
Group Vice President,  
Global Product Planning

**Thomas G. Stephens**  
Group Vice President,  
GM Powertrain

**Ralph J. Szygenda**  
Group Vice President, Information  
Systems and Services, and  
Chief Information Officer

**Bo I. Andersson**  
GM Vice President, Global  
Purchasing and Supply Chain

**Kathleen S. Barclay**  
GM Vice President,  
Global Human Resources

**Walter G. Borst**  
Treasurer

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GM Europe Vice President,  
Sales, Marketing and Aftersales

**Lawrence D. Burns**  
GM Vice President,  
Research & Development and  
Strategic Planning

**John R. Buttermore**  
GM North America  
Vice President, Labor Relations

**Kenneth W. Cole**  
GM Vice President,  
Government Relations

**Hans-Heinrich Demant**  
GM Europe Vice President,  
Engineering and Managing  
Director, Adam Opel AG

**W. W. Brent Dewar**  
GM North America  
Vice President, Marketing and  
Advertising

**Arturo S. Elias**  
President and Managing  
Director, GM de Mexico

**Carl-Peter Forster**  
GM Vice President and  
President, GM Europe

**Peter R. Gerosa**  
GM North America  
Vice President, Field Sales,  
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GMAC Executive Vice President,  
North America Operations

**Roderick D. Gillum**  
GM Vice President, Corporate  
Responsibility and Diversity

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GM Vice President and  
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GM of Canada, Ltd.

**Daniel M. Hancock**  
GM Powertrain Vice President,  
Engineering Operations

**R. William Happel**  
GM Vice President and General  
Manager, GM Electro-Motive  
Division

**Douglas J. Herberger**  
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Manager, Service and Parts  
Operations

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President, OnStar

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GM North America  
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**Thomas J. Kowaleski**  
GM Vice President,  
Communications

**Mark R. LaNeve**  
GM North America  
Vice President, Vehicle Sales,  
Service and Marketing

**Timothy E. Lee**  
GM Europe Vice President,  
Manufacturing

**Elizabeth A. Lowery**  
GM Vice President,  
Environment and Energy

**John G. Middlebrook**  
GM Vice President,  
Global Sales, Service and  
Marketing Operations

**Denny M. Mooney**  
Chairman and Managing  
Director, Holden Ltd

**William F. Muir**  
President, GMAC

**Philip F. Murtaugh**  
Chairman and Managing  
Director, China Group

**Homi K. Patel**  
GM Vice President and General  
Manager, Manufacturing  
Operations, GM Powertrain

**William E. Powell**  
GM North America  
Vice President,  
Industry-Dealer Affairs

**James E. Queen**  
GM Vice President,  
Global Engineering

**W. Allen Reed**  
GM Vice President and  
President & Chief Executive  
Officer, GM Asset Management

**David N. Reilly**  
GM Vice President and  
President & Chief Executive  
Officer, GM Daewoo

**Paul W. Schmidt**  
Controller

**Kent T. Sears**  
GM North America  
Vice President, Manufacturing  
Processes and Systems

**Joseph D. Spielman**  
GM Vice President and General  
Manager, Manufacturing

**Kevin E. Wale**  
GM Europe Vice President and  
Chairman & Managing Director,  
Vauxhall Motors Ltd.

**Edward T. Welburn, Jr.**  
GM Vice President,  
Global Design

**James R. Wiemels**  
GM Vice President and General  
Manager, Manufacturing  
Engineering

**Kevin W. Williams**  
GM North America  
Vice President, Quality

**Ray G. Young**  
President and Managing  
Director, GM do Brasil

## General Information

### Staff Officers

**Peter R. Bible**

Chief Accounting Officer

**Nancy E. Polis**

Secretary

**Chester N. Watson**

General Auditor

**Roger D. Wheeler**

Chief Tax Officer

### 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 Tuesday, June 7, 2005, in Wilmington, Delaware.

### Stockholder Assistance

Stockholders of record requiring information about their accounts should contact:

EquiServe Trust Company, N.A.

General Motors Corporation

P.O. Box 43009

Providence, RI 02940-3009

800-331-9922

781-575-3990 (outside continental U.S. and Canada)

800-994-4755 (TDD – telecommunications device for the deaf)

EquiServe representatives are available Monday through Friday from 9 a.m. to 5 p.m. ET. Automated phone service (800-331-9922) and the EquiServe Web site at [www.equiserve.com](http://www.equiserve.com) are always available.

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](http://investor.gm.com)

### Dividend and Cash Investment Plan

If you are a stockholder of record and own 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](http://investor.gm.com).

### Electronic Delivery of Annual Meeting Materials

Stockholders may consent to receive their GM annual report and proxy materials via the Internet. Stockholders of record and employee savings plan participants may enroll at [www.econsent.com/gm](http://www.econsent.com/gm). Beneficial stockholders, who hold their GM stock through a broker or bank, may sign up at [www.icsdelivery.com/gm](http://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

Detroit, MI 48265-3000

313-667-1669

### Available Publications

To request annual reports, proxy statements, Forms 10-K and 10-Q, *Stockholder News* (published March and September) and GM's full-line product brochure, contact:

GM Fulfillment Center

Mail Code 480-000-FC1

1324 Rankin

Troy, MI 48083-2826

313-667-1434

Select publications are available electronically or print copies may be requested at "Request Information" on [investor.gm.com](http://investor.gm.com).

### Visit GM on the Internet

Explore the world of General Motors products and services on our corporate Web site, [www.gm.com](http://www.gm.com).

### GM Employee Savings Plans

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

### GM Customer Assistance Centers

To request product information or to receive assistance with your vehicle, please contact the appropriate marketing unit:

Buick: 800-521-7300

Cadillac: 800-458-8006

Chevrolet: 800-222-1020

GMC: 800-462-8782

HUMMER: 866-486-6376

Oldsmobile: 800-442-6537

Pontiac: 800-762-2737

Saab: 800-722-2872

Saturn: 800-553-6000

GM of Canada: 800-263-3777

GM Mobility: 800-323-9935

### GMAC Financial Services

[www.gmacfs.com](http://www.gmacfs.com)

GMAC Customer Service Center/

Auto Financing: 800-200-4622

GMAC Demand Notes/SmartNotes:

888-271-4066, [www.demandnotes.com](http://www.demandnotes.com),

[www.smartnotes.com](http://www.smartnotes.com)

SmartLease/Smart Products:

800-327-6278

GMAC Home Mortgage/Home Equity Loans:

800-766-4622, [www.gmacmortgage.com](http://www.gmacmortgage.com)

GM Family First: 800-964-4622,

[www.gmfamilyfirst.com](http://www.gmfamilyfirst.com)

GMAC Commercial Holding Corp.:

215-328-4622, [www.gmaccm.com](http://www.gmaccm.com)

GMAC-RFC Funding Corp.: 952-857-7000,

[www.gmacrfc.com](http://www.gmacrfc.com)

GMAC Commercial Finance: 248-356-4622,

[www.gmaccf.com](http://www.gmaccf.com)

GMAC Insurance:

GM Family: 800-328-5503

Consumer: 800-847-2886

Mechanical Customer Service Center:

800-631-5590

[www.gmacinsurance.com](http://www.gmacinsurance.com)

### Other Products and Services

GM Card: 800-846-2273

OnStar: 888-667-8277

XM Satellite Radio: 800-852-9696

### Principal Office

General Motors Corporation

300 Renaissance Center

P.O. Box 300

Detroit, MI 48265-3000

313-556-5000





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