General Motors Corporation **2002** Annual Report drive

Contents

Drive.
It's the key to success. It's the motivation.
The energy.
The passion.

It's an intense desire to excel—one that's
never quenched by success,
only made more intense,
because every achievement only brings into greater focus
what can be achieved.

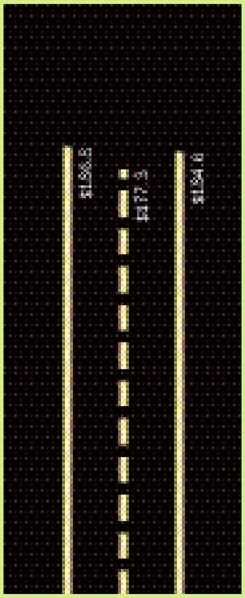
Drive.
Put it in gear. It's never been more important
to keep moving forward.

Financial Highlights

The following amounts are presented on a reported basis, and therefore include the impact of special items discussed on page 42 of the Management's Discussion and Analysis of Financial Condition and Results of Operations.

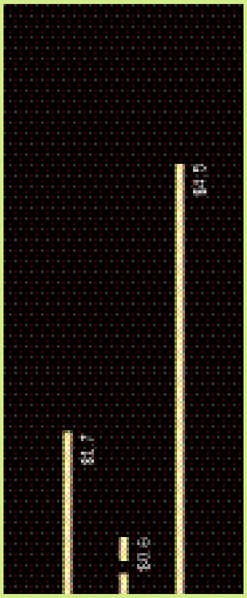
(Dollars in millions,except per share amounts) Years ended December 31,	**2002**	2001	2000
Total net sales and revenues	**$186,763**	$177,260	$184,632
Worldwide wholesale sales (units in thousands)	**8,411**	8,073	8,746
Net income	**$ 1,736**	$ 601	$ 4,452
Net profit margin	**0.9%**	0.3%	2.4%
Earnings (losses) attributable to common stocks			
Earnings attributable to $1-2/3 par value	**$ 1,885**	$ 984	$ 3,957
Earnings (losses) attributable to Class H	**$ (196)**	$ (482)	$ 385
Diluted earnings (losses) per share attributable to common stocks			
Earnings per share attributable to $1-2/3 par value	**$ 3.35**	$ 1.77	$ 6.68
Earnings (losses) per share attributable to Class H	**$ (0.21)**	$ (0.55)	$ 0.55
Book value per share of common stocks			
$1-2/3 par value	**$ 9.06**	$ 24.81	$ 39.52
Class H	**$ 1.81**	$ 4.96	$ 7.90
Number of common stock shares outstanding as of December 31 (in millions)			
$1-2/3 par value	**560**	558	548
Class H	**958**	877	875

Net sales and revenues were $186.8 billion, up 5.4%.



'02 '01 '00

Net income was $1.7 billion, up $1.1 billion.



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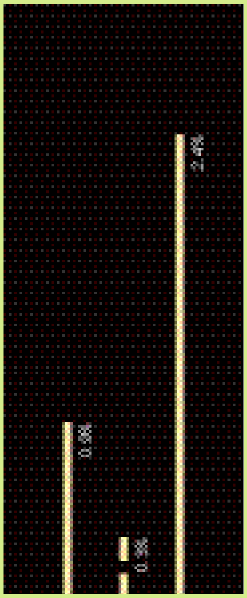
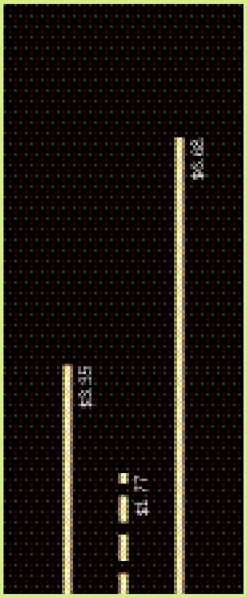
Net profit margin was 0.9%,up from 0.3%.



'02 '01 '00

Annual earnings per share increased to $3.35 from $1.77.



'02 '01 '00

Dear Stockholders

It has been a decade since Jack Smith and his new management team embarked on the long, difficult journey to fundamentally transform GM. Our company today is leaner, faster, more flexible and more efficient – in short, much more competitive.

But our journey is far from finished.

Building upon our recent success and momentum, we are determined to drive GM to the next level – to sustained success.

2002 taught us some important lessons. The most important involved how we performed even amid political, social and economic uncertainty, corporate scandals, and fears of war and terrorism. We focused on a clear strategy:

- Introduce great cars and trucks
- Be aggressive in the marketplace
- Reduce costs and improve quality
- Generate cash

And that's exactly what we did.

The Drive to Excel: Our Progress in 2002

- GM earned $3.9 billion on record revenue of $177.3 billion, or $6.98 diluted earnings per share of GM $1-2/3 par value common stock, excluding Hughes and special items. That was double our projections at the start of 2002, and almost double our 2001 results. GM also generated nearly $8 billion in cash from automotive operations.
- We increased our market share in three of our four regions around the world. In the United States, we posted a second consecutive year of improved market share, the first time we've done so in 26 years. GM once again set new U.S. industry records for sales of trucks and sport utility vehicles.
- We reinforced our traditional commitment to research and development in our search for answers to the industry's most challenging issues. GM is a leader in efforts to improve fuel economy, from our Displacement on Demand technology to our major, long-term investment in fuel-cell research. Earlier this year, we announced plans to introduce a range of vehicles with hybrid powertrains, starting in late 2003, as a midterm solution to improving fuel economy.
- GM again outpaced all other auto manufacturers in North America with a 4.5 percent gain in overall productivity in the respected Harbour Report. GM's Oshawa car assembly plant in Ontario, Canada, was ranked the most productive in North America.
- GM was among the top three North American auto manufacturers in initial vehicle quality in 2002, according to the J.D. Power and Associates Initial Quality Study. The study also gave GM vehicles four "best-in-segment" awards, while eight others finished second or third. GM had 10 of the 14 top-ranked assembly plants in quality, including the top three.
- GM Europe saw significant improvement in launch quality, warranty costs and overall vehicle quality in 2002 as the turnaround of Adam Opel and Vauxhall continued on pace. The success of the all-new Opel/Vauxhall Vectra and Saab 9-3 drove market share improvement in the second half.
- Despite a tough economic environment, GM Latin America/Africa/Mid-East posted its best market share performance in 13 years, leading the region in sales. In South America, GM increased its market leadership to almost 3.5 percentage points over its nearest competitor, and had its largest share of that market in 13 years. And in the Mid-East, GM had its best sales in 21 years.

- GM Asia Pacific increased its market share as we performed very well in the booming Chinese market. Our Australian company, Holden, broke that nation's industry sales record. In Korea, we successfully launched a new company, GM Daewoo Auto & Technology.
- GMAC once again posted record earnings: $1.9 billion, compared with $1.8 billion in 2001, marking eight consecutive years of annual income growth.

The Drive to Improve: Building a *"GoFast!"* Culture

The genesis of this progress is the broad reorganization of GM in the 1990s, which touched virtually every part of the company. Our focus has been to take full advantage of a true GM competitive advantage – our size and our global resources.

But in addition to leveraging our size, we understand that to win in today's competitive auto market, we also need to be fast. One significant tool GM has used to break down the old walls of bureaucracy and slowness is our *GoFast!* program. These one-day workshops are aimed at quickly eliminating waste and increasing efficiency through brainstorming and sharing of best practices. They empower every employee to improve our business.

In the past three years, more than 80,000 GM employees have attended more than 6,600 *GoFast!* workshops. The workshops have saved GM hundreds of millions of dollars.

We have been able to significantly reduce the time it takes to launch new vehicles, while simultaneously improving quality and productivity. In 2002, we also expanded implementation of the GM Global Manufacturing System, which is increasing the flexibility of our plants, boosting productivity and allowing us to respond more quickly to changes in demand.

Our progress has been real and measurable. But our work is not done – far from it.

Like many other large, long-standing businesses, GM is dealing with some tough issues related to our history – the "legacy costs" of rising pension and health-care obligations for our large retiree base.

We're doing so by focusing on growing our business and generating cash. We plan to take advantage of our strong operating cash flow and other assets on our balance sheet to make contributions to the pension fund without affecting the funding required for our future product program. At the same time, we are aggressively working to contain health-care costs as part of our relentless focus on improving all aspects of our cost structure.

While we've made a lot of progress on our cost competitiveness over the past decade, we believe many opportunities remain to drive greater efficiency, to improve quality and reduce waste, and to react even faster to problems and challenges as they arise around the world.

Drive Asia: The World Is Our Road

The global auto industry is far from mature in terms of growth potential. Consider that only 12 percent of the world's potential drivers own or drive a vehicle today.

China's growth has been phenomenal, reinforcing our decision several years ago to invest in the potential of the world's

Chevrolet Colorado The all-new 2004 Colorado, with its combination of power, comfort, utility and good looks, sets new standards for midsize pickups.

most populous nation. That market grew 40 percent last year, and we anticipate another 40 percent expansion by 2007.

Shanghai GM, our joint venture with Shanghai Automotive Industry Corporation Group (SAIC), reached a milestone in December when it introduced the redesigned Buick Regal family of midsize sedans. This represented the first time we had leveraged local engineering capability and completed a redesign within China for Chinese customers.

Our new partnership with SAIC and Wuling Automotive gives GM product entries in China's minivan and small truck segments. And our latest venture with SAIC, to take over Yantai Bodyshop Corporation, will give Shanghai GM another 100,000 units of capacity to better respond to the rising demand.

GM is well-positioned to take advantage of the other emerging growth markets around the world. Our investment in the new GM Daewoo gives us a strong position in the important South Korean market and an excellent product development capability; this investment promises to pay off sooner than expected as growth throughout the Asia Pacific region continues.

But we are also bullish on North America's market potential over the mid- and long term. Due to immigration and higher birth rates, the U.S. population is growing faster than expected. Add the huge baby boomer generation that is moving into its peak earning and consuming years, and the fact that vehicle prices are at their lowest level in decades in real terms, and you have a recipe for continued strong demand.

But we know our competition is not standing still. At the Detroit auto show this past January, there were 61 new production and concept vehicles on display from the world's automakers. We're taking on that challenge with more than 30 launches of all-new cars and trucks scheduled this year around the globe.

The Drive to Excite: Building Our Reputation

Despite our progress, we know that there's plenty more to do. Too many potential customers don't consider buying our products. In some cases, they may have had a serious disappointment with a GM car 20 years ago. In others, they just believe that another brand is better.

We aim to change that.

It starts, of course, with our products. GM is infusing its lineup with the kind of well-built, stylish, innovative, emotionally compelling cars and trucks that GM was known for when it was the undisputed leader of the automotive world.

GM's renewed passion for creating exciting, innovative cars and trucks is evident on the auto show circuit as well as in our

Rick Wagoner, Bob Lutz and John Devine (left to right)

showrooms. We were honored with 149 vehicle awards around the world in 2002.

In 2003, we'll introduce three exciting "halo" vehicles in the United States: The innovative Chevy SSR roadster / pickup; the legendary Pontiac GTO, based on the high-performance Holden Monaro coupe in Australia; and Cadillac's first two-seat roadster, the stunning XLR. Last fall, 99 special first edition XLRs sold out through the 2002 Neiman Marcus Christmas catalog in a record 14 minutes.

Those vehicles will be joined by the Cadillac SRX, the all-new Chevrolet Malibu and Malibu Maxx, the redesigned Pontiac Grand Prix, the Saturn ION Quad Coupe, the GMC Envoy XUV, the Buick Rainier and Cadillac ESV sport utilities, the Saab 9-3 Convertible, the Chevy Aveo four-door and five-door subcompacts, and the Chevy Colorado and GMC Canyon midsize pickups. We expect the Chevrolet Malibu, Colorado and coming Equinox compact SUV (in 2004) alone to account for 500,000 units of annual volume.

In Europe, in addition to the new Saab 9-3 Convertible, we'll debut the Opel / Vauxhall Signum and Vectra Wagon, along with the innovative Meriva five-door that will compete in the subcompact "monocab" segment. Opel and Vauxhall also will get another version of their high-performance roadster with the introduction of the Speedster Turbo. Four new fuel-efficient diesel engines will be introduced this year in Europe.

In the Asia Pacific region, we will introduce the Saab 9-3, Cadillac CTS and Opel Vectra, and in China we will launch another all-new Buick sedan.

In GM's Latin America / Africa / Mid-East region, 2003 will mark a major expansion of our product lineup in the growing Mid-East market. Twenty products new to the region will be launched, including the Chevrolet Barina – GM's first entry into the low end of that market – the HUMMER H2, Cadillac XLR and SRX, Opel Vectra GTS and Signum, and the extended versions of the Chevrolet TrailBlazer and GMC Envoy.

The Drive to Lead: The Man Who Saved GM

GM's momentum today is due in very large part to the leadership, wisdom and foresight of our chairman, Jack Smith. Jack retires in May after 42 years of service to this corporation. Probably the most humble chairman in big business today, Jack would be the last one to take credit for all that he has done.

So, on behalf of all the men and women of General Motors, I'd like to go on record to thank Jack Smith for saving GM from its long decline. Ten years ago, when he was facing the seemingly insurmountable task of righting the listing bureaucracy that was then GM, he spelled out in the annual report this simple promise to you, our stockholders: "We know what we have to do, and we're going to do it. Watch and see."

That was classic Jack: a modest but determined leader whose credo, "deeds, not words," often seemed out of step in the decade of the celebrity CEO. But Jack Smith got GM back on the road to sustained success, and we're determined to build on his record of progress.

The Drive to Define the Future

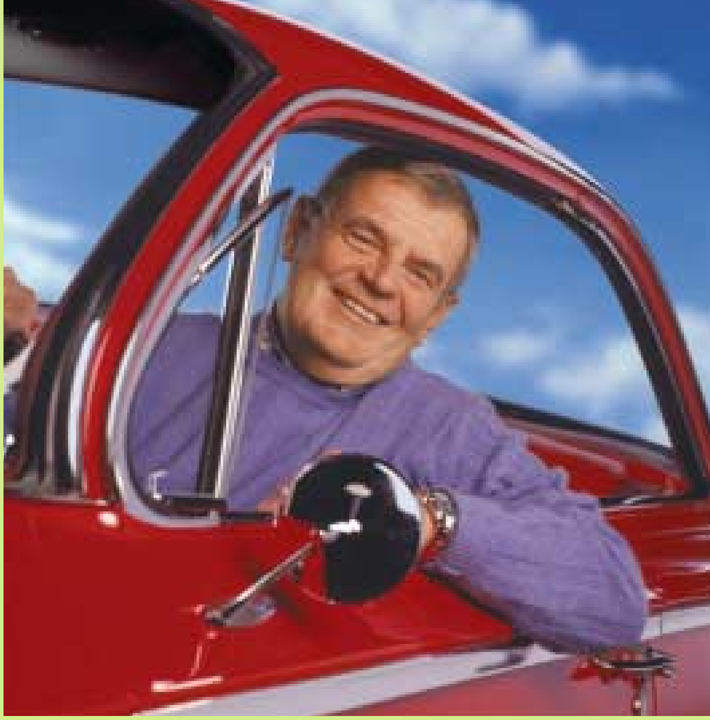
GM's future success will depend on our ability to develop and rev up new engines for growth. That means being quick to fill the next new vehicle segments and niches, being proactive in the emerging growth markets around the world, and delighting our customers with innovations the competition doesn't have. We also must keep a strong focus on getting leaner, faster and more responsive, and continue to leverage and grow the vast talent and knowledge within GM.

The men and women of GM are confident and excited about the future. But we also understand that in today's global marketplace, we cannot afford to be complacent based on what we achieved last year, last month or even yesterday. Today we celebrate on the run, and move quickly onto the next challenge.

I started out by noting that our strategy in 2002 was focused and clear – and that it worked. We're going to follow that same strategy in 2003: Introduce great cars and trucks, be aggressive in the marketplace, reduce costs and improve quality, and generate cash.

As a very wise man once said: "We know what we have to do, and we're going to do it. Watch and see."

Rick Wagoner
Chairman-elect, President and Chief Executive Officer



Dear friends,

It's been a fascinating ride these past 42 years at General Motors. As I drive toward retirement on May 1, I wanted to leave you with some personal observations about GM.

Great products are the foundation of our success. The Chevrolet Bel Air that I'm pictured in was built at several locations the year I joined the company, including the Framingham, Mass., plant where I started my GM career. We sold a ton of them. The Bel Air and other GM models were hot sellers because they looked great and had terrific performance for their time. Those were clearly banner days for GM.

We have traveled some difficult roads since then. However, the renewed strength of our global product portfolio is striking emotional chords with customers more and more. These great new cars and trucks, combined with fundamental improvements in our operations, and solid growth opportunities, lead me to believe that we are now firmly on track to make GM great again.

It has been both an honor and privilege for me to be your chairman these past seven years. As I close my GM career, I think we are extremely fortunate to have what I believe is the most capable management team in the industry, led by Rick Wagoner, our CEO, who will take on the added duties of chairman on May 1. No automotive management team has more breadth and depth of skills than this one.

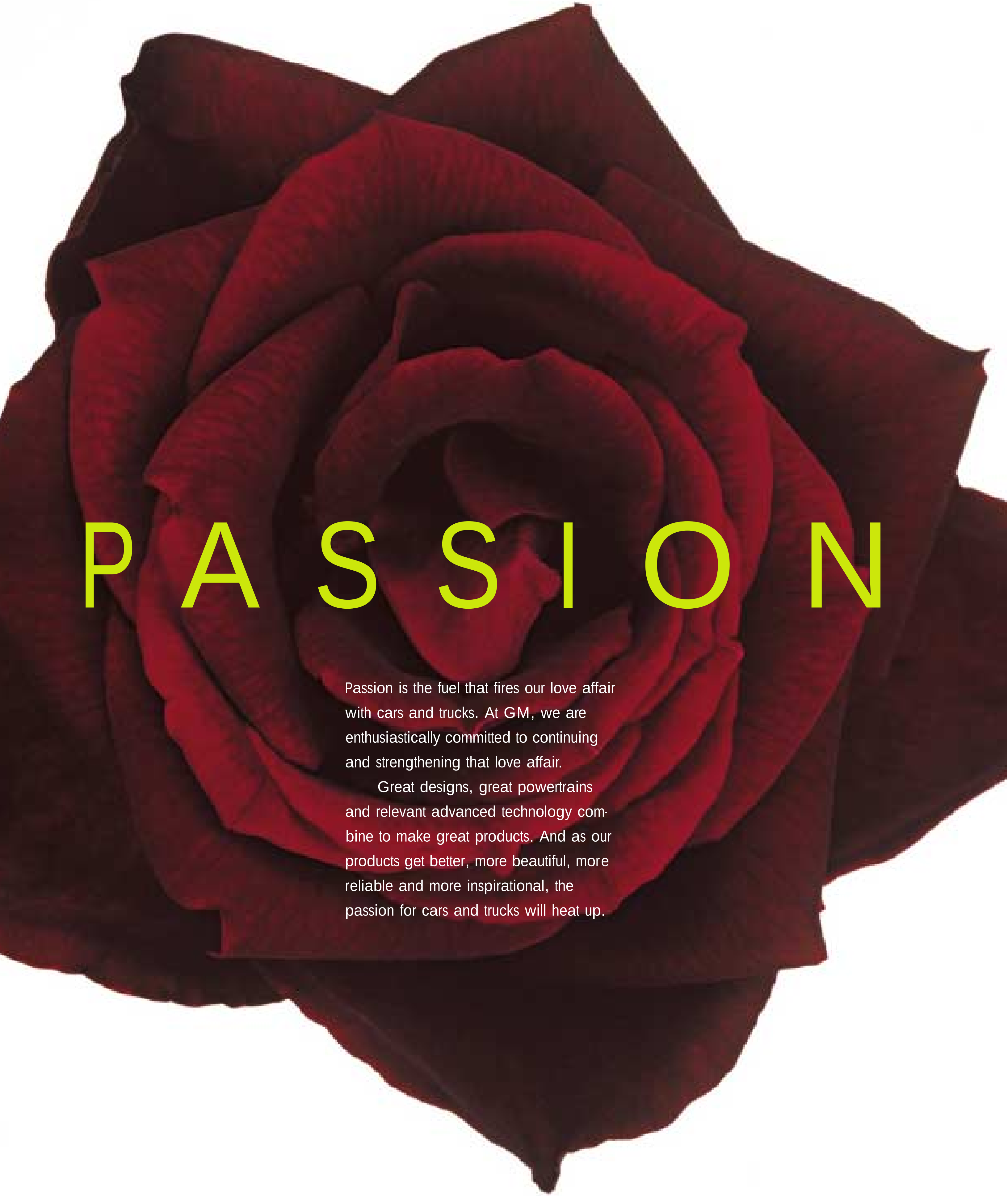
I firmly believe that your company is well-positioned for even more success going forward, and I'm more excited now about GM's future than I have ever been.

Jack Smith

Jack Smith
Chairman

The drive to

excite



PASSION

Passion is the fuel that fires our love affair with cars and trucks. At GM, we are enthusiastically committed to continuing and strengthening that love affair.

Great designs, great powertrains and relevant advanced technology combine to make great products. And as our products get better, more beautiful, more reliable and more inspirational, the passion for cars and trucks will heat up.

Opel Signum

The love of great design.

Cadillac SRX

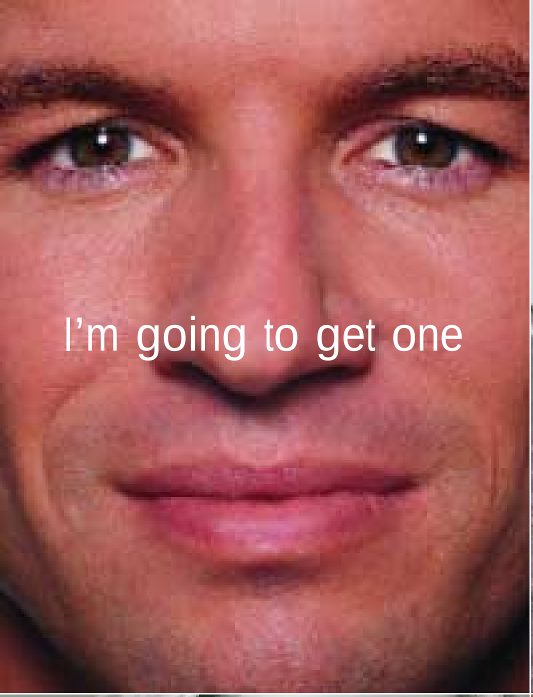
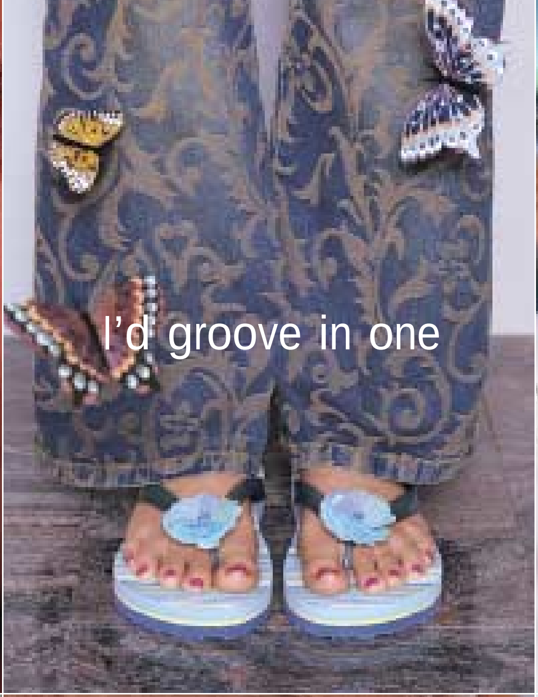
Pontiac Grand Prix

WO

The power to go anywhere!

Not just another pretty face, but what's not to love? The HUMMER H2 is designed to get your heart pumping as it takes on the most demanding conditions. The H2 conveys a sense of power, authority and complete control. Outstanding off-road and refined on-road handling. The H2 was the best-selling vehicle in the full-size luxury SUV segment in its first six months on the market.

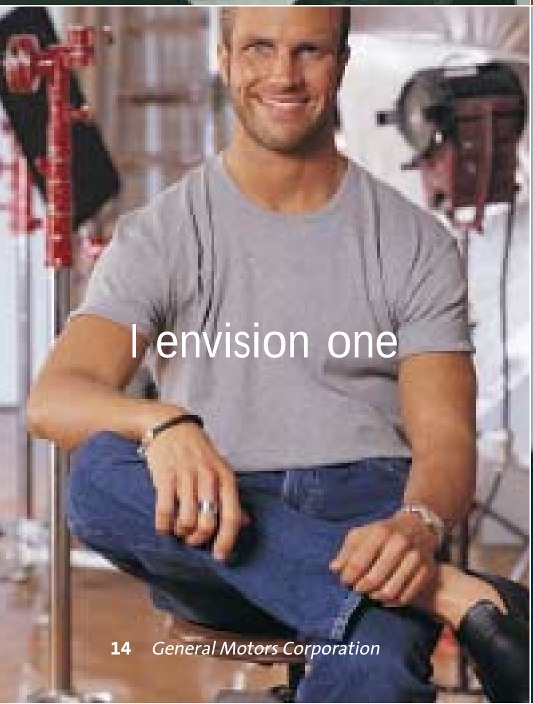

OF.


I’m going to get one

I’d groove in one

I’d love one

I’d like one

I already **have** one

We need two

I envision one

We need one

I dream of one

Touch me. Feel me. Drive me. You gotta have me. Our One Company thinking brought together the design and engineering know-how from North America and Australia to bring about the rebirth of a legend — the Pontiac GTO. It commands your attention. It excites your senses. It moves you. Really moves you! Drive the V-8, rear-drive GTO and discover the legend reborn.

Gotta have one!

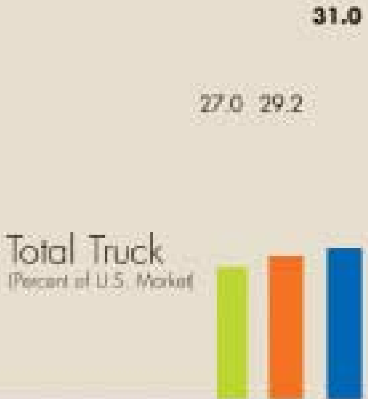
The drive to

excel

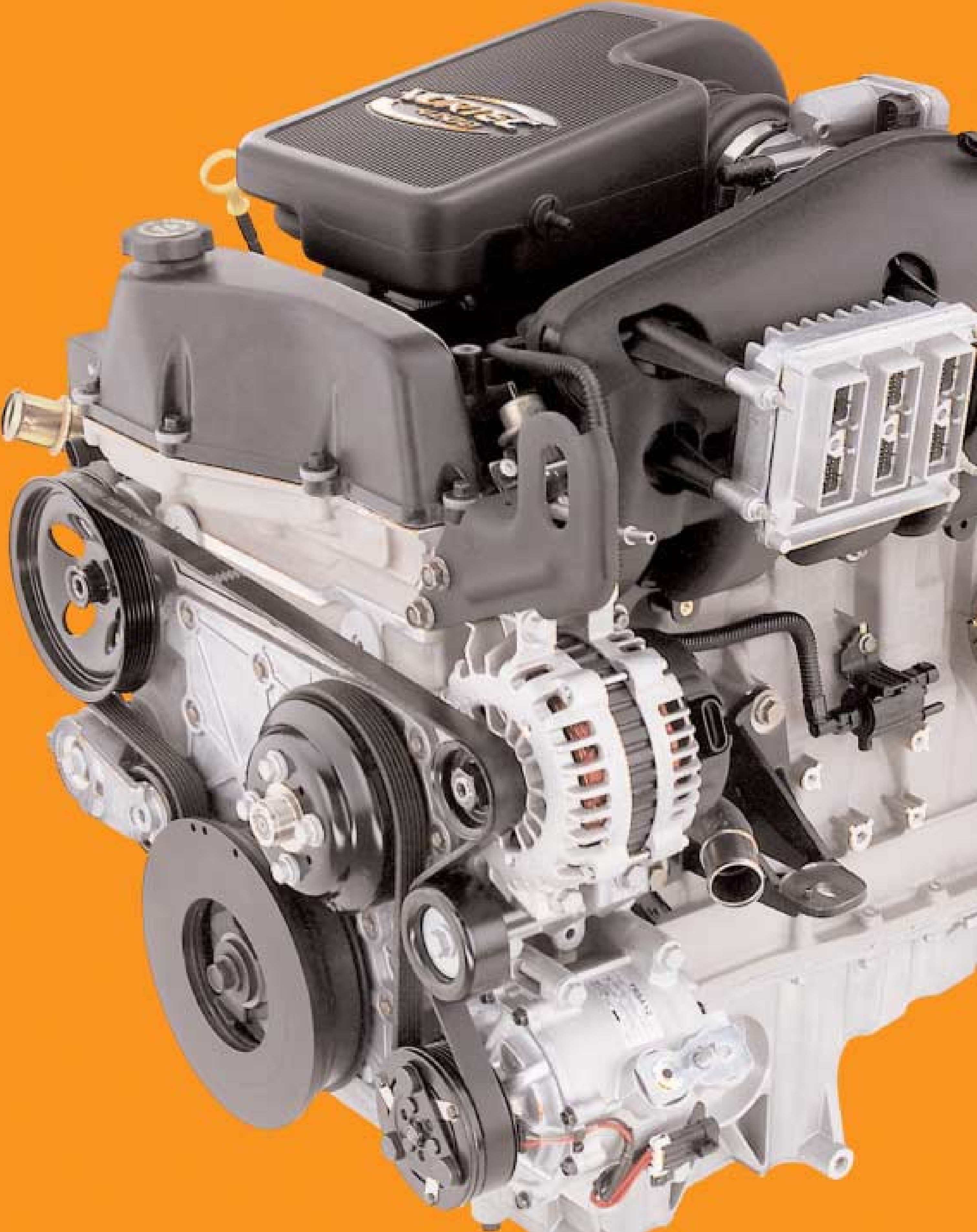
Hitting the sweet spot of success. GM has the winning truck lineup — from top to bottom, full-size to compact. We set all-time industry records for truck and SUV sales in 2002, and plan to build on that strength with innovative new trucks and crossover vehicles. To broaden the appeal of our truck products and address concerns about fuel economy, Displacement on Demand and hybrid powertrains are planned for the near future.




The strength to be the best.



GM's overall truck sales in North America totaled 2.8 million in 2002, up 6 percent from 2001. GM led its closest competitor by more than a half-million truck sales, and became the first manufacturer ever to top 1.2 million SUV sales in a calendar year.



bada boom

Power up!

Power to the people. For cars, trucks, marine and industrial applications. Direct injection. Supercharged. Turbocharged. One liter to eight liter. Gasoline. Diesel. Alternative fuel. Hybrids. Northstar. Vortec. Ecotec. Heavy-duty towing grunt. Fuel-thrifty cruising. Automatic. Manual. Continuously variable. Front drive. Rear drive. All-wheel drive. We have leading engines and transmissions designed to provide high value, performance and fuel economy that will exceed customer needs throughout the world, and drive improvements in GM's competitive position.

The drive to

lead

:)

Smiling

Keeping the customer…

Every day, every week, every month, GM and its network of dealers work hard to ensure that our customers always have a great shopping, buying and service experience. Saturn placed first in the J.D. Power and Associates Customer Service Index (CSI) and Sales Satisfaction Index (SSI) last year. This is the first time since 1986 that a non-luxury nameplate took top honors in CSI, and the first time that a non-luxury nameplate has taken the No. 1 spot in both CSI and SSI during the same year.

Stephanie Hutchison, a sales associate at Saturn of Fremont, Calif., is a key point of contact in our drive to keep customers satisfied.

THE WORLD

Putting great products on the road, like the Saab 9-3, Vectra and Meriva, is the key to driving improved results. We're rebuilding and strengthening our brands in Europe. We're driving the biggest product offensive in GM Europe's history. New product launches have the highest quality levels ever. And we're keeping a tight rein on costs as we build a foundation for growth and profitability. We're strengthening our industry lead in Latin America with a winning product lineup, which helped us grow market share 1.4 points last year.

IS OUR ROAD

Drivin' Europe and Latin America.

From the Great Wall of China to the streets of Seoul, developing roadways in emerging markets are important routes to growth. Shanghai GM doubled its sales in 2002, and we grew our market share in China. The new GM Daewoo Auto & Technology Company brings an opportunity to compete in the large and growing Korean market as well as other markets around the world. Combined with the record performance of Australia-based Holden, GM's potential in the Asia Pacific region is tremendous.

East meets West.

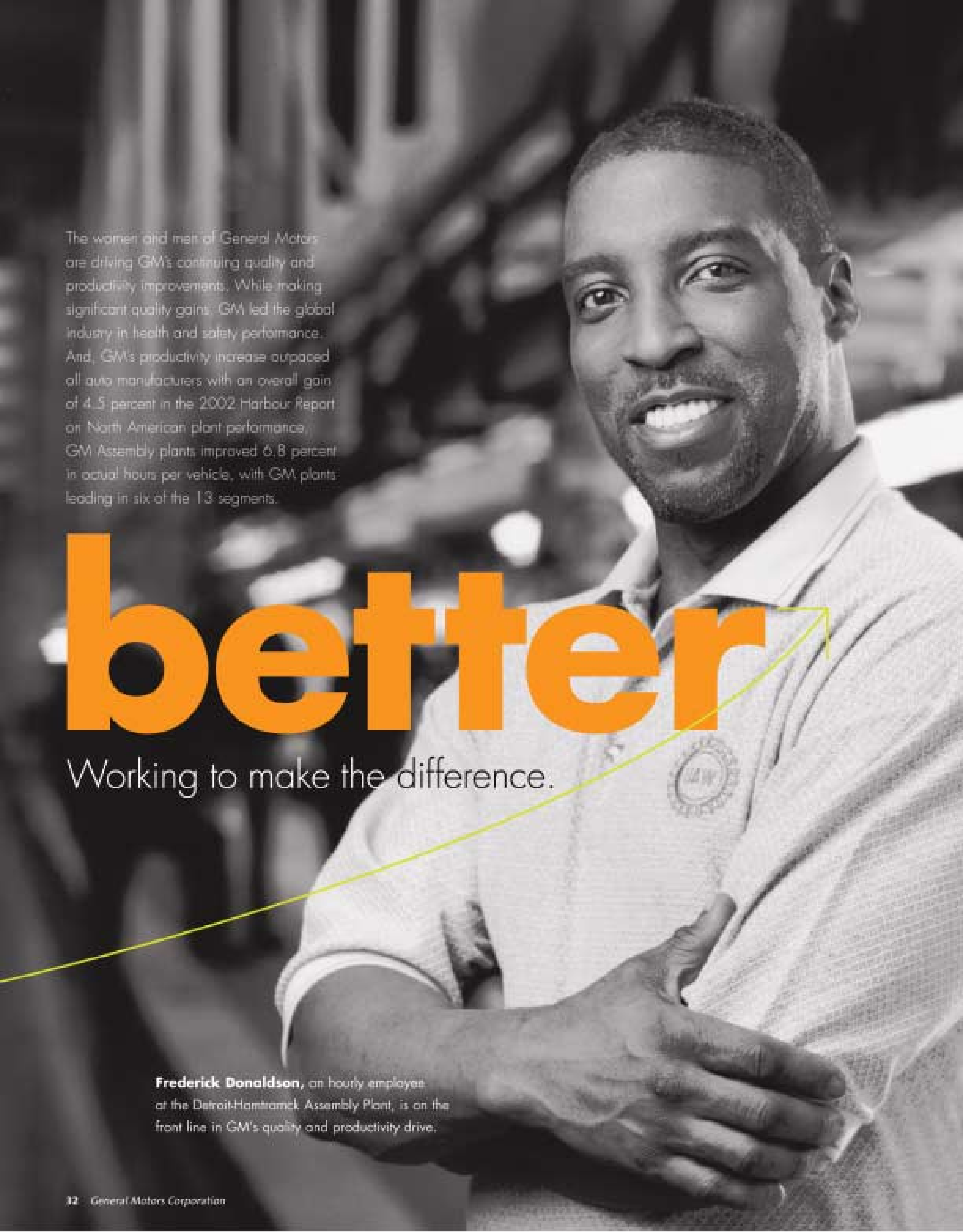
D R I V E

GM Daewoo Lacetti The Pininfarina-designed 2004 Lacetti is the first all-new vehicle to come from GM Daewoo; it will capture the imagination of consumers around the world.


ASIA

The drive to

improve

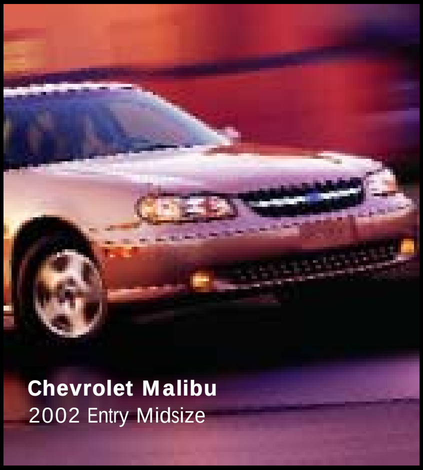


The women and men of General Motors are driving GM's continuing quality and productivity improvements. While making significant quality gains, GM led the global industry in health and safety performance. And, GM's productivity increase outpaced all auto manufacturers with an overall gain of 4.5 percent in the 2002 Harbour Report on North American plant performance. GM Assembly plants improved 6.8 percent in actual hours per vehicle, with GM plants leading in six of the 13 segments.

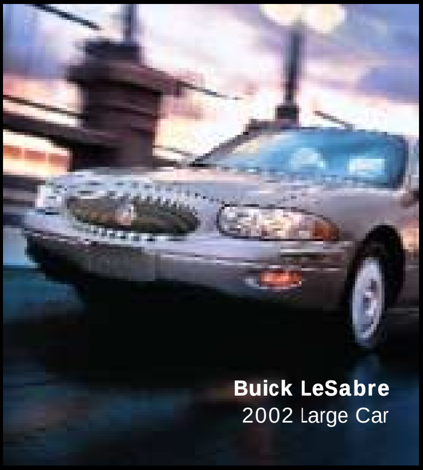
better

Working to make the difference.

Frederick Donaldson, an hourly employee at the Detroit-Hamtramck Assembly Plant, is on the front line in GM's quality and productivity drive.



Chevrolet Malibu
2002 Entry Midsize



Buick LeSabre
2002 Large Car

Top in our class.

best!

Buick Century
2002 Premium Midsize

Our intense focus and commitment to Quality as a Value is paying dividends. GM has had the best quality increase over the past five years – a 30 percent improvement in initial quality, as measured by J.D. Power and Associates. Initial quality increased 11 percent in 2002 from the prior year. The Chevrolet Malibu and Corvette, and the Buick Century and LeSabre, placed first in their segments. In Europe, dealer satisfaction with delivery quality has doubled since 1996.

Chevrolet Corvette
2002 Premium Sport

Make a **big deal** out of life.

Driving results and helping people get the most out of life, GMAC is a family of companies ready to help customers with critical financial decisions that affect their lifestyles and wallets. Financing a vehicle. Selling a house. Getting a residential or business mortgage or insurance. GMAC is a globally diversified financial services organization with solid profitability that continues to support GM's strength.


Finance our SUV
Drivin' dreams.
GMAC Income: in millions
$1,325
$1,527
$1,602
$1,786
$1,870
'98
'99
'00
'01
'02
Finance our home
Start our own business

The drive to

define the **future**




Rethought from the ground up.

A Hy-wire walk to the future. Hy-wire is the world's first drivable concept vehicle that combines a hydrogen fuel cell with drive-by-wire technology. A skateboard-like chassis eliminates many traditional design constraints, and provides designers the freedom to create a number of different body styles that can take us far beyond today's vehicles. GM is driving to have fuel-cell vehicles in the market by the end of the decade.

tomorrow

Drive the future.

Concept vehicles fire the passion for great cars and trucks. They illustrate the breadth of GM's creative talent and flair, and hint at things to come for GM's global product portfolio. Romance. Elegance. Technology. Distinctive brand character. New and exciting ways to put the world on wheels. The Cadillac Sixteen, the Chevrolet SS and Opel GTC are all symbolic of GM's passion and enthusiasm for developing great vehicles.

GM at a Glance

General Motors is the world's largest automotive corporation. Our core activities are the design and manufacture of cars and trucks for sale in more than 190 countries through four regional automotive operations: GM North America (GMNA), GM Europe (GME), GM Asia Pacific (GMAP) and GM Latin America / Africa / Mid-East (GMLAAM).

GM North America (GMNA)

Business Description
Designs, manufactures and markets vehicles for the U.S., Canadian, Mexican, Central American, Puerto Rican and Caribbean markets, as well as worldwide exports; provides aftermarket products and services. GMNA has about 100 manufacturing, assembly and warehousing facilities

Brands
Buick, Cadillac, Chevrolet, GMC, HUMMER, Oldsmobile, Pontiac, Saab, Saturn

Market Share

U.S.	28.3%
Total GMNA	28.0%

GM Europe (GME)

Business Description
Designs, manufactures and markets vehicles for Europe and export markets. GME has sales operations in 26 countries and 10 production and assembly facilities in seven countries in Europe

Brands
Opel, Vauxhall, Saab, Cadillac, Chevrolet, Daewoo

Market Share

West / Central Europe	9.2%
Total Europe	8.7%

GM Latin America / Africa / Mid-East (GMLAAM)

Business Description
Designs, manufactures, markets and services vehicles for the Latin America, Africa, Middle East and export markets. GMLAAM has manufacturing and assembly operations in 11 countries

Brands
Buick, Cadillac, Chevrolet, GMC, HUMMER, Opel, Saab, Suzuki

Market Share

Latin America	23.9%
Africa / Middle East	9.6%
Total LAAM	17.3%

GM Asia Pacific (GMAP)

Business Description
Designs, manufactures and markets vehicles for the Asia Pacific region and export markets. Automotive facilities and sales operations in 15 countries. Main manufacturing and assembly operations located in Australia, China, Indonesia, India, Japan, Korea, Vietnam and Thailand

Brands
Buick, Cadillac, Chevrolet, Daewoo, Holden, Isuzu, Opel, Saab, Subaru, Suzuki, Wuling

Market Share 4.2%

GMAC Financial Services

Business Description
Provides a broad range of financial and related services to help individuals and businesses throughout the world

Market Share
Almost 50 percent of all GM vehicles bought or leased are financed through dealers and GMAC

The following management's discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with the Hughes Electronics Corporation (Hughes) consolidated financial statements and MD&A for the period ended December 31, 2002, included as Exhibit 99 to the GM Annual Report on Form 10-K for the period ended December 31, 2002, and related Hughes Annual Report on Form 10-K filed separately with the Securities and Exchange Commission (SEC); and the General Motors Acceptance Corporation (GMAC) Annual Report on Form 10-K for the period ended December 31, 2002, filed separately with the SEC. All earnings per share amounts included in the MD&A are reported as diluted.

GM presents separate supplemental financial information for the following businesses: Automotive, Communications Services, and Other Operations (ACO) and Financing and Insurance Operations (FIO).

GM's reportable operating segments within its ACO business consist of:

- GM Automotive (GMA), which is comprised of four regions: GM North America (GMNA), GM Europe (GME), GM Latin America/Africa/Mid-East (GMLAAM), and GM Asia Pacific (GMAP);
- Hughes, which includes activities relating to digital entertainment, information and communications services,and satellite-based private business networks; and
- Other, which includes the design, manufacturing, and marketing of locomotives and heavy-duty transmissions, the elimination of intersegment transactions, certain non-segment-specific revenues and expenditures, and certain corporate activities.

GM's reportable operating segments within its FIO business consist of GMAC and Other Financing, which includes financing entities operating in the U.S., Canada, Brazil,and Mexico that are not associated with GMAC.

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

Results of Operations

For the year ended December 31, 2002, net income for the Corporation was $1.7 billion, or $3.35 per share of GM $1-2/3 par value common stock, compared with $601 million and $4.5 billion, or $1.77 and $6.68 per share of GM $1-2/3 par value common stock, for 2001 and 2000, respectively. Net income includes the special items on an after-tax basis outlined below:

List of Special Items – After Tax

(Dollars in millions)	GMNA	GME	GMLAAM	GMAP	Total GMA	Hughes	Other	Total ACO	GMAC	Other Financing	Total GM
Year ended December 31, 2002											
Reported Net Income (Loss)	**$2,900**	**$(1,011)**	**$(181)**	**$188**	**$1,896**	**$(239)**	**$(1,803)**	**$ (146)**	**$1,870**	**$12**	**$1,736**
EchoStar Termination Payment (A)	–	–	–	–	–	(372)	–	(372)	–	–	(372)
Write-down of Crown Media Investment (B)	–	–	–	–	–	27	–	27	–	–	27
Write-down of XM Satellite Radio Investment (C)	–	–	–	–	–	63	–	63	–	–	63
Costs Related to Shutdown of DIRECTV Broadband Business (D)	–	–	–	–	–	97	–	97	–	–	97
Loss on HTIL Transaction (E)	–	–	–	–	–	15	–	15	–	–	15
Write-down of Fiat Auto Investment (F)	–	–	–	–	–	–	1,371	1,371	–	–	1,371
Production Footprint Charge (G)	116	–	–	–	116	–	–	116	–	–	116
Sale of Equity Interests (H)	–	–	–	–	–	(68)	–	(68)	–	–	(68)
End-of-Life Vehicle Charge (I)	–	55	–	–	55	–	–	55	–	–	55
Restructuring Charge (J)	–	407	–	–	407	–	–	407	–	–	407
Space Shuttle Settlement (K)	–	–	–	–	–	(59)	–	(59)	–	–	(59)
GECC Contractual Dispute (L)	–	–	–	–	–	51	–	51	–	–	51
Loan Guarantee Charge (M)	–	–	–	–	–	18	–	18	–	–	18
Adjusted Income (Loss)	**$3,016**	**$ (549)**	**$(181)**	**$188**	**$2,474**	**$(467)**	**$ (432)**	**$1,575**	**$1,870**	**$12**	**$3,457**

Results of Operations *(continued)*

List of Special Items – After Tax

(Dollars in millions)	GMNA	GME	GMLAAM	GMAP	Total GMA	Hughes	Other	Total ACO	GMAC	Other Financing	Total GM
Year ended December 31, 2001											
Reported Net Income (Loss)	$1,270	$ (765)	$ (81)	$ (57)	$ 367	$ (618)	$ (916)	$(1,167)	$1,786	$ (18)	$ 601
Ste. Therese Charge (N)	194	–	–	–	194	–	–	194	–	–	194
Raytheon Settlement (O)	–	–	–	–	–	–	474	474	–	–	474
Gain on Sale of Thomson (P)	–	–	–	–	–	(67)	–	(67)	–	–	(67)
Sky Perfect Write-down (Q)	–	–	–	–	–	133	–	133	–	–	133
Severance Charge (R)	–	–	–	–	–	40	–	40	–	–	40
DIRECTV Japan Adjustment (S)	–	–	–	–	–	(21)	–	(21)	–	–	(21)
Isuzu Restructuring (T)	–	–	–	133	133	–	–	133	–	–	133
SFAS 133 Adjustment (U)	14	(2)	1	1	14	8	–	22	(34)	–	(12)
Adjusted Income (Loss)	$1,478	$ (767)	$ (80)	$ 77	$ 708	$ (525)	$ (442)	$ (259)	$1,752	$ (18)	$ 1,475
Year ended December 31, 2000											
Reported Net Income (Loss)	$3,174	$ (676)	$ 26	$ (233)	$2,291	$ 829	$ (281)	$ 2,839	$1,602	$ 11	$ 4,452
Phase-out of Oldsmobile Charge (V)	939	–	–	–	939	–	–	939	–	–	939
Postemployment Benefits Charge (W)	294	–	–	–	294	–	–	294	–	–	294
Capacity Reduction Adjustment (X)	–	419	–	–	419	–	–	419	–	–	419
Satellite Businesses Gain (Y)	–	–	–	–	–	(1,132)	–	(1,132)	–	–	(1,132)
Adjusted Income (Loss)	$4,407	$ (257)	$ 26	$ (233)	$3,943	$ (303)	$ (281)	$ 3,359	$1,602	$ 11	$ 4,972

(A) *The EchoStar Termination Payment reflects the $600 million EchoStar paid to Hughes in connection with the termination of the October 28, 2001 merger agreement between Hughes and EchoStar.*
(B) *The Write-down of Crown Media Investment relates to the recognition of an other than temporary decline in the market value of Hughes' investment in Crown Media.*
(C) *The Write-down of XM Satellite Radio Investment relates to the recognition of an other than temporary decline in the market value of Hughes' investment in XM Satellite Radio.*
(D) *The Costs Related to Shutdown of DIRECTV Broadband Business relates to Hughes' costs to close the business including contract termination payments, write-offs of equipment,and severance payments.*
(E) *The Loss on HTIL Transaction relates to the exchange of Hughes' ownership in Hughes Tele.com (India) Limited for an equity interest in and long-term receivables from Tata Teleservices Limited.*
(F) *The Write-down of Fiat Auto Investment relates to GM's investment in Fiat Auto Holdings, B.V. (FAH) and reflects completion of an impairment study relating to the carrying value of that investment,which was reduced from $2.4 billion to $220 million.*
(G) *The Production Footprint Charge primarily relates to costs associated with the transfer of commercial truck production from Janesville,Wisconsin,to Flint, Michigan,which was recorded in the GMNA region.*
(H) *The Sale of Equity Interests relates primarily to the Hughes investment in Thomson multimedia S.A.*
(I) *The End-of-Life Vehicle Charge relates to the European Union's directive requiring member states to enact legislation regarding end-of-life vehicles and the responsibility of manufacturers for dismantling and recycling vehicles they have sold. See Note 24 to the consolidated financial statements.*
(J) *The Restructuring Charge relates to the initiative implemented in the first quarter of 2002 to improve the competitiveness of GM's automotive operations in Europe. See Note 24 to the consolidated financial statements.*
(K) *The Space Shuttle Settlement relates to the favorable resolution of a lawsuit that was filed against the U.S. government by Hughes on March 22, 1991, based upon the National Aeronautics and Space Administration's (NASA) breach of contract to launch 10 satellites on the Space Shuttle.*
(L) *The GECC Contractual Dispute relates to a loss associated with a contractual dispute settled with General Electric Capital Corporation.*
(M) *The Loan Guarantee Charge relates to a loan guarantee for a Hughes Network Systems' affiliate in India.*
(N) *The Ste. Therese Charge relates to asset impairments and postemployment costs for termination and other postemployment benefits associated with the announcement of the closing of the Ste. Therese,Quebec,assembly plant.*
(O) *The Raytheon Settlement relates to Hughes' settlement with the Raytheon Company on a purchase price adjustment related to Raytheon's 1997 merger with Hughes Defense.*
(P) *The Gain on Sale of Thomson relates to Hughes' sale of 4.1 million shares of Thomson multimedia S.A. common stock.*
(Q) *The Sky Perfect Write-down relates to Hughes' charge from the revaluation of its investment.*
(R) *The Severance Charge relates to Hughes' 10% company-wide workforce reduction in the U.S.*
(S) *The DIRECTV Japan Adjustment relates to a favorable adjustment to the expected costs associated with the shutdown of Hughes' DIRECTV Japan business.*
(T) *The Isuzu Restructuring charges include GM's portion of severance payments and asset impairments that were part of the restructuring of its affiliate Isuzu Motors Ltd.*
(U) *The SFAS 133 Adjustment represents the net impact during the first quarter of 2001 from the initial adoption of SFAS No. 133, "Accounting for Derivatives and Hedging Activities."*
(V) *The Phase-out of Oldsmobile Charge relates to the costs associated with GM's decision to phase-out the Oldsmobile division as the current model lineup product lifecycles come to an end,or when the models are no longer economically viable.*
(W) *The Postemployment Benefits Charge relates to postemployment costs for termination and other postemployment benefits associated with four North American manufacturing facilities slated for conversion and capacity reduction (Oklahoma City, Oklahoma; Delta Engine,Lansing, Michigan; Spring Hill, Tennessee; and Wilmington,Delaware).*
(X) *The Capacity Reduction Adjustment relates to costs associated with the reduction in production capacity, including the restructuring of Vauxhall Motors Limited's manufacturing operations in the U.K.*
(Y) *The Satellite Businesses Gain relates to the sale of Hughes' satellite systems manufacturing businesses to The Boeing Company.*

Results of Operations *(continued)*

Vehicle Unit Sales (1)

	2002			2001			2000		
Years ended December 31, (Units in thousands)	**Industry**	**GM**	**GM as a % of Industry**	Industry	GM	GM as a % of Industry	Industry	GM	GM as a % of Industry
United States									
Cars	**8,131**	**2,069**	**25.4%**	8,455	2,272	26.9%	8,857	2,532	28.6%
Trucks	**9,013**	**2,790**	**31.0%**	9,020	2,633	29.2%	8,957	2,421	27.0%
Total United States	**17,144**	**4,859**	**28.3%**	17,475	4,905	28.1%	17,814	4,953	27.8%
Canada, Mexico,and Other	**2,974**	**764**	**25.7%**	2,775	686	24.7%	2,781	707	25.4%
Total GMNA	**20,118**	**5,623**	**28.0%**	20,250	5,591	27.6%	20,595	5,660	27.5%
GME	**19,172**	**1,662**	**8.7%**	19,705	1,800	9.1%	20,158	1,856	9.2%
GMLAAM	**3,673**	**635**	**17.3%**	4,009	665	16.6%	3,664	605	16.5%
GMAP	**14,373**	**605**	**4.2%**	13,101	524	4.0%	12,880	476	3.7%
Total Worldwide	**57,336**	**8,525**	**14.9%**	57,065	8,580	15.0%	57,297	8,597	15.0%

(1) *GM vehicle unit sales primarily represent vehicles manufactured by GM or manufactured by GM's investees and sold either under a GMnameplate or through a GM-owned distribution network. Consistent with industry practice,vehicle unit sales information employs estimates of sales in certain countries where public reporting is not legally required or otherwise available on a consistent basis.*

Wholesale Sales (2)

(Units in thousands) *Years ended December 31,*	**2002**	2001	2000
GMNA			
Cars	**2,547**	2,441	2,933
Trucks	**3,174**	2,746	2,842
Total GMNA	**5,721**	5,187	5,775
GME			
Cars	**1,545**	1,666	1,744
Trucks	**100**	94	135
Total GME	**1,645**	1,760	1,879
GMLAAM			
Cars	**443**	463	438
Trucks	**197**	203	196
Total GMLAAM	**640**	666	634
GMAP			
Cars	**185**	202	175
Trucks	**220**	258	283
Total GMAP	**405**	460	458
Total Worldwide	**8,411**	8,073	8,746

(2) *Wholesale sales represent vehicles manufactured by GM and certain investees and distributed through a GM-owned distribution network.*

GMA Financial Review

GMA's income and margin adjusted to exclude special items (adjusted income and margin) were $2.5 billion and 1.7% for 2002, $708 million and 0.5% for 2001, and $3.9 billion and 2.7% for 2000. The increase in 2002 adjusted income and margin, compared with 2001, was primarily due to an increase in wholesale sales volume, favorable product mix, and reduced structural and material costs. These favorable conditions more than offset the unfavorable impact of pricing pressures experienced in North America and Europe. The decrease in 2001 adjusted income and margin, compared with 2000, was primarily due to a decrease in wholesale sales volume and pricing pressures in North America and Europe. These unfavorable conditions were partially offset by cost structure improvements, also primarily in North America and Europe.

GMA's total net sales and revenues adjusted to exclude special items (adjusted total net sales and revenues) were $148.0 billion, $140.7 billion, and $148.1 billion for 2002, 2001, and 2000, respectively. The increase in 2002 adjusted total net sales and revenues, compared with 2001, was largely due to an increase in wholesale volumes offset partially by unfavorable pricing pressures in North America and Europe. The decrease in 2001 adjusted total net sales and revenues, compared with 2000, was largely due to lower wholesale volumes and unfavorable pricing pressures in North America and Europe.

GMNA's adjusted income was $3.0 billion, $1.5 billion, and $4.4 billion for 2002, 2001, and 2000, respectively. The increase in 2002 adjusted income from 2001 was primarily due to an increase in wholesale sales volume, improved product mix, material and structural costs reductions, and interest income from the resolution of certain prior tax years, partially offset by an increase in pension costs, other postretirement employee benefit costs (OPEB), and unfavorable net price of (2.1)% year-over-year. Net price comprehends the percent increase/(decrease) a retailer/distributor pays in the current period over the price paid in the previous year's period for a similar vehicle. The decrease in 2001 adjusted income from 2000 was primarily due to unfavorable net price of (1.3)% year-over-year and lower wholesale sales volumes. The decrease was partially offset by favorable product mix and improvements in manufacturing costs due to performance efficiencies, material cost savings, and engineering productivity.

Results of Operations *(continued)*

GME's adjusted loss was $549 million, $767 million,and $257 million for 2002, 2001, and 2000, respectively. The decrease in GME's 2002 adjusted loss from 2001 was primarily due to material, structural, and other cost improvements. This was partially offset by a decrease in wholesale sales volumes driven by a weak European industry and continuing competitive pricing pressures. The increase in GME's 2001 adjusted loss from 2000 was due to a continued shift in sales mix from larger, more profitable vehicles to smaller, less profitable entries,as well as a decrease in wholesale sales volume and continued competitive pricing pressures. These decreases were partially offset by improved material and structural cost performance.

GMLAAM's adjusted loss was $181 million for 2002, compared with an adjusted loss of $80 million and an adjusted income of $26 million for 2001 and 2000, respectively. The increase in GMLAAM's 2002 adjusted loss from 2001 was primarily due to political unrest and economic uncertainty in Argentina,Brazil, and Venezuela, which have caused a significant deterioration in the industry for the region. The decrease in 2001 adjusted earnings, compared with 2000, was primarily due to material cost increases reflecting supplier cost pressures, manufacturing cost increases, and the devaluation of the currency in Argentina. These decreases were partially offset by nominal price increases and an increase in wholesale sales volumes.

GMAP's adjusted income was $188 million for 2002, compared with adjusted income of $77 million and an adjusted loss of $233 million for 2001 and 2000, respectively. The increase in 2002 adjusted income, compared with 2001, was primarily due to equity income improvements from several joint ventures in the region, led by significantly improved results at the Shanghai GM joint venture. These improvements were partially offset by a decrease in wholesale sales volumes and increases in structural and other costs. The increase in 2001 adjusted earnings, compared with 2000, was primarily due to GMAP's suspension of recording its share of Isuzu's losses. GM reduced its investment balance in Isuzu to zero in the second quarter of 2001. In addition, there were equity income improvements from several joint ventures in the region, as well as slightly favorable price increases and increased wholesale sales volumes.

Hughes Financial Review

Total adjusted net sales and revenues were $9.0 billion, $8.3 billion, and $8.7 billion for 2002, 2001, and 2000, respectively. The increase in adjusted net sales and revenues in 2002, compared with 2001, was due to increased revenues at DIRECTV U.S. due to continued subscriber growth. The increase in adjusted net sales and revenues at DIRECTV U.S. was partially offset by a decrease in adjusted net sales and revenues at Hughes Network Systems (HNS), which was principally due to lower sales resulting from the substantial completion of two contracts in late 2001. PanAmSat Corporation (PanAmSat) also reported a decrease in adjusted net sales and revenues due to a sales-type lease transaction executed during 2001 for which there was no comparable transaction in 2002. The decrease in adjusted net sales and revenues in 2001, compared with 2000, was due to decreased revenues at PanAmSat, decreased revenues at HNS, and the sale of the satellite systems manufacturing businesses to The Boeing Company on October 6, 2000. The decrease in adjusted net sales and revenues at PanAmSat was primarily due to a decline of new outright sales and sales-type lease transactions executed during 2001 compared to 2000. The decrease in adjusted net sales and revenues at HNS was primarily due to decreased shipments of DIRECTV receiving equipment due primarily to DIRECTV completing the conversion of PRIMESTAR By DIRECTV customers to the high-power DIRECTV service in 2000. These decreases were partially offset by an increase in adjusted net sales and revenues at the Direct-to-Home businesses that resulted from the addition of approximately 1.5 million net new subscribers in the United States and Latin America since December 31, 2000.

Hughes' adjusted losses were $467 million,$525 million, and $303 million for 2002, 2001, and 2000, respectively. The decrease in 2002 adjusted loss, compared with 2001, was primarily due to additional gross profits gained from the DIRECTV U.S. revenue growth mentioned above, lower expenses resulting from cost saving initiatives, and a decrease in amortization expense related to goodwill as a result of the implementation of Statement of Financial Accounting Standards (SFAS) No. 142,"Goodwill and Other Intangible Assets" (see Note 1 to the consolidated financial statements). These favorable factors were partially offset by a decrease in interest income due to lower average cash and cash equivalent balances in 2002, an increase in interest expense which included a $74 million charge in 2002 for losses associated with the final settlement of a contractual dispute with General Electric Capital Corporation, increased depreciation expense due to capital expenditures for property and satellites placed into service since December 31, 2001, and a decrease in income tax benefit resulting from lower pre-tax losses in 2002. The increase in 2001 adjusted loss, compared with 2000, was primarily due to lower profits in 2001 from sales and sales-type lease transactions and higher operating costs at PanAmSat, increased costs associated with the rollout of new DIRECWAY services, lower profits resulting from decreased shipments of DIRECTV receiving equipment at HNS, the added cost of DIRECTV Broadband, and increased depreciation and amortization expense due to various acquisitions in 2001 and capital expenditures for satellites and property.

GMAC Financial Review

GMAC's adjusted income was $1.9 billion, $1.8 billion,and $1.6 billion for 2002, 2001, and 2000, respectively.

	Years ended December 31,		
(Dollars in millions)	**2002**	2001	2000
Financing operations	**$1,239**	$1,211	$1,055
Mortgage operations	**544**	332	327
Insurance operations	**87**	209	220
Adjusted income	**$1,870**	$1,752	$1,602

Income from financing operations totaled $1.2 billion, $1.2 billion, and $1.1 billion in 2002, 2001, and 2000, respectively. The increase in income in 2002, compared with 2001, was primarily due to higher asset levels which were partially offset by higher credit loss provisions and wider borrowing spreads that have occurred primarily as a result of rating agency downgrades in late 2001 and 2002.

Results of Operations *(concluded)*

The increase in adjusted income in 2001, compared with 2000, was primarily due to lower market interest rates and increased asset levels. These increases were partially offset by weakness in off-lease residual values, higher credit losses, and wider borrowing spreads that occurred in the wake of negative rating agency actions.

Income from mortgage operations totaled $544 million, $332 million, and $327 million in 2002,2001, and 2000, respectively. The increase in income in 2002, compared with 2001, was primarily due to increased production volumes, higher servicing levels, and improved hedging results, which were partially offset by a decrease in the value of mortgage servicing rights. The increase in income in 2001, compared with 2000, was primarily due to strong origination volumes and securitizations which kept pace with the large run-off of home mortgages that occurred during periods of high refinancing activity.

Income from insurance operations totaled $87 million, $209 million, and $220 million in 2002, 2001, and 2000, respectively. The decrease in income in 2002, compared with 2001, reflects a write-down of certain investment securities primarily due to the prolonged decline in equity markets, partially offset by improved underwriting results and a favorable tax settlement. The decrease in income in 2001, compared with 2000, was primarily due to a reduction in capital gains reflecting the general weakness in the equity markets. This decrease was partially offset by improved underwriting results.

Liquidity and Capital Resources

Financing Structure

In 2002, GM and GMAC experienced adequate access to the capital markets as GM and GMAC were able to issue various securities to raise capital and extend borrowing terms consistent with GM's need for financial flexibility. Downgrades to GM's and GMAC's credit ratings in October 2002 have reduced GM's long-term credit rating by Standard & Poor's to BBB and A3 by Moody's (GMAC is rated A2 by Moody's). Despite these downgrades, GM's and GMAC's access to the commercial paper and unsecured debt markets remains sufficient to meet the Corporation's capital needs. Moreover, the downgrades have not had a significant adverse effect on GM's and GMAC's ability to obtain bank credit or to sell asset-backed securities. 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. 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 2006, an additional $3.2 billion in committed facilities with various maturities, and uncommitted lines of credit of $2.7 billion. Similarly, GMAC has a $1.5 billion syndicated line of credit committed through June 2003, $7.4 billion committed through June 2006, $4.1 billion of bilateral committed lines with various maturities, and uncommitted lines of credit of $17.8 billion. In addition, New Center Asset Trust (NCAT) has $18.1 billion of liquidity facilities committed through June 2003. In October 2002, GMAC transferred $5.8 billion of credit lines from its syndicated facility (committed through June 2003) to NCAT. Mortgage Interest Networking Trust (MINT) has $4.1 billion of liquidity facilities committed through April 2003. NCAT and MINT are non-consolidated limited-purpose statutory trusts established to issue asset-backed commercial paper. See Off-Balance Sheet Arrangements for more discussion.

On February 7, 2002, GM issued $875 million of 7.250% Senior Notes due February 15, 2052. The bonds mature in 50 years and are redeemable by GM, in whole or part, prior to 2052 if certain circumstances are satisfied. On March 6, 2002, GM also issued $3.8 billion of convertible debt securities as part of a comprehensive effort to improve the Corporation's financial flexibility. The offering includes $1.2 billion principal amount of 4.5% Series A Convertible Senior Debentures due 2032 and $2.6 billion principal amount of 5.25% Series B Convertible Senior Debentures due 2032. The securities mature in 30 years and are convertible into GM $1-2/3 par value common stock once specific conditions are satisfied. The proceeds of the offerings, combined with other cash generation initiatives, were used to rebuild GM's liquidity position, reduce its underfunded pension liability, and fund its postretirement health care obligations.

In 2002, GM contributed a total of $4.9 billion to its U.S. pension plans and $1.0 billion to the long-term Voluntary Employees' Beneficiary Association (VEBA) Trust.

Stockholders' equity decreased to $6.8 billion at December 31, 2002 from $19.7 billion at December 31, 2001. This decrease was primarily due to the increase in the minimum pension liability adjustment recorded at December 31, 2002. (See Note 14 to the consolidated financial statements.)

Automotive, Communications Services, and Other Operations

At December 31, 2002, cash,marketable securities, and $3.0 billion of short-term assets of the VEBA trust invested in fixed-income securities totaled $18.5 billion, compared with $12.2 billion at December 31, 2001. The increase from December 31, 2001 was primarily due to proceeds from the bond and convertible debt offerings, and strong operating cash flow from automotive operations. Total assets in the VEBA trust used to pre-fund part of GM's other postretirement benefits liability approximated $5.8 billion and $4.9 billion at December 31, 2002 and 2001, respectively. GM previously indicated that it had a goal of maintaining $13.0 billion of cash and marketable securities in order to continue funding product development programs throughout the next downturn in the business cycle. This $13.0 billion target includes cash to pay certain costs that were pre-funded in part by VEBA contributions.

Long-term debt was $16.7 billion and $10.7 billion at December 31, 2002 and 2001, respectively. The ratio of long-term debt to long-term debt and GM's net assets of ACO was 267.0% and 72.6% at December 31, 2002 and 2001, respectively. The ratio of long-term debt and short-term loans payable to the total of this debt and GM's net assets of ACO was 234.3% and 76.5% at December 31, 2002 and 2001,respectively. The increase in both ratios is primarily due to the net assets of ACO changing to a net liability position as a result of the increase in the unfunded status of GM's pension plans at December 31, 2002.

Liquidity and Capital Resources *(continued)*

Net liquidity excluding Hughes, calculated as cash, marketable securities, and $3.0 billion of short-term assets of the VEBA trust invested in fixed-income securities less the total of loans payable and long-term debt, was $2.3 billion and $1.0 billion at December 31, 2002 and 2001, respectively.

In order to provide financial flexibility to GM and its suppliers, GM maintains a two-part financing program through GECC which was renewed October 2, 2002 pursuant to a Trade Payables Agreement with GM wherein GECC (1) purchases GM receivables at a discount from GM suppliers prior to the due date of those receivables, and pays on behalf of GM the amount due on other receivables which have reached their due date (the first part) and (2) from time to time allows GM to defer payment to GECC with respect to all or a portion of receivables which it has purchased or paid on behalf of GM, which deferral could last from 10 days and up to 40 days. To the extent GECC can realize favorable economics from transactions arising in the first part of the program, they are shared with GM. Whenever GECC and GM agree that GM will defer payment beyond the normal due date for receivables under the second part of the program, GM becomes obligated to pay interest for the period of such deferral. Outstanding balances of GM receivables held by GECC are classified as accounts payable in GM's financial statements. If any of GM's long-term unsecured debt obligations become subject to a rating by S&P of BBB- (GM's current rating is BBB) with a negative outlook or below BBB-, or a rating by Moody's of Baa3 (GM's current rating is A3) with a negative outlook or below Baa3, the program would be unavailable to GM and its suppliers. The maximum amount permitted under the program is $2 billion. At December 31, 2002, the outstanding balance under the first part of the program amounted to approximately $1.2 billion, and there was no outstanding balance under the second part of the program, compared with an outstanding balance under the first part of the program of $495 million and a $1.2 billion outstanding balance under the second part of the program at December 31, 2001.

Financing and Insurance Operations

GMAC's consolidated assets totaled $227.7 billion at December 31, 2002, representing an 18% increase from the $192.7 billion outstanding at December 31, 2001. The increase in total assets was primarily due to an increase in finance receivables and loans, from $109.7 billion at December 31,2001 to $134.8 billion at December 31, 2002. The continued use of GM-sponsored special rate financing programs in the United States fueled asset growth in the consumer retail contract portfolio. Additionally in 2002, GMAC structured more securitizations as financing transactions (for accounting purposes) instead of qualifying as sales, resulting in an increase in finance receivables and loans, primarily in mortgage operations.

Consistent with the growth in assets, GMAC's total debt increased to $183.1 billion at December 31, 2002, as compared to $152.0 billion at December 31, 2001. GMAC's 2002 year-end ratio of total debt to total stockholders' equity was 10.3:1 compared to 9.4:1 at December 31,2001. GMAC's liquidity, as well as its ability to profit from ongoing activity, is in large part dependent upon its timely access to capital and the costs associated with raising funds in different segments of the capital markets. Liquidity is managed to preserve stable, reliable, and cost-effective sources of cash to meet all current and future obligations. GMAC's strategy in managing liquidity risk has been to develop diversified funding sources across a global investor base. A weak corporate bond market, combined with downgrades in certain of GMAC's credit ratings, increased GMAC's unsecured borrowing spreads to unprecedented levels in 2002. As a result, GMAC placed a greater emphasis on securitization and retail debt in its funding mix. Management expects to continue to use diverse funding sources to maintain its financial flexibility and expects that access to the capital markets will continue at levels sufficient to meet GMAC's funding needs.

Investment in Fiat Auto Holdings

On March 13, 2000,GM entered into a contract (the "Master Agreement") with Fiat S.p.A. (Fiat) under which GM acquired 20% of FAH. A copy of the Master Agreement has been made public in filings with the SEC. Fiat continues to hold the other 80% of FAH through various subsidiaries. FAH is the sole stockholder of Fiat Auto S.p.A. (Fiat Auto), which owns and operates the global automotive group of Fiat (other than the Ferrari, Maserati,and Iveco businesses, which are held separately by Fiat). Additionally, GM and Fiat Auto have formed joint ventures relating to powertrain and purchasing and initiated other collaborative activities.

The Master Agreement provides that, from January 24, 2004 to July 24, 2009, Fiat has the right to exercise a put option (the "Put") to require GM to purchase Fiat's FAH shares at fair market value. Whether and when Fiat may seek to exercise the Put is unknown. It is uncertain as to whether the Put would ever be exercised due to the possibilities that it could be affected by subsequent agreements of the companies, it could become non-exercisable under other provisions of the Master Agreement, it could be rendered unenforceable by reason of actions Fiat may have taken, or Fiat may choose to not exercise the Put.

If and when the Put is implemented, the fair market value of FAH shares would be determined by investment banks under procedures set forth in the Master Agreement. Until any such valuation is completed, the amount, if any, that GM might have to pay for Fiat's FAH shares is not quantifiable.

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

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

While GM and Fiat have discussed potential alternatives to the Master Agreement,no changes to it have been agreed upon. GM expects to continue working with Fiat on future product sharing and the powertrain and purchasing joint ventures they initiated in March 2000, which are providing significant cost savings in line with initial estimates to the operations of both companies. Additional opportunities for industrial cooperation between GM and Fiat Auto are being explored for the purpose of further reducing operating costs for both parties.

Liquidity and Capital Resources *(continued)*

Off-Balance Sheet Arrangements

GM and GMAC use off-balance sheet special purpose entities (SPEs) where the economics and sound business principles warrant their use. The principal use of these SPEs occurs in connection with the securitization and sale of financial assets generated or acquired in the ordinary course of business by GM's wholly owned subsidiary GMAC and its subsidiaries and, to a lesser extent, by GM. The assets securitized and sold by GMAC and its subsidiaries consist principally of mortgages, and wholesale and retail loans secured by vehicles sold through GM's dealer network. The assets sold by GM consist of trade receivables. GM and GMAC use SPEs in a manner consistent with conventional practices in the securitization industry, the purpose of which is to isolate the receivables for the benefit of securitization investors. Usually, the SPEs used in these transactions meet the criteria of a qualifying special purpose entity (QSPE). The use of QSPEs enables GM and GMAC to access the highly liquid and efficient markets for the sale of these types of financial assets when they are packaged in securitized forms.

GM leases real estate and equipment from various 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 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 interests in SPEs. All of the SPEs established to facilitate property leases to GM are owned by institutions that are independent of, and not affiliated with, GM. No officers, directors, or employees of GM, GMAC,or their affiliates hold any direct or indirect equity interests in such entities.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46). This interpretation addresses consolidation of certain variable interest entities (VIEs), which include entities previously referred to as SPEs. (See New Accounting Standards for further discussion.)

Assets in SPEs were as follows (dollars in millions):

December 31,	**2002**	2001
Automotive, Communications Services, and Other Operations		
Assets leased under operating leases	**$ 2,904**	$ 2,785
Trade receivables sold	**439**	868
Total	**$ 3,343**	$ 3,653
Financing and Insurance Operations		
Receivables sold or securitized:		
Mortgage loans	**$112,128**	$113,100
Retail finance receivables	**16,164**	11,978
Wholesale finance receivables	**17,415**	16,227
Total	**$145,707**	$141,305

Book Value per Share

Book value per share was determined based on the liquidation rights of the various classes of common stock. Book value per share of GM $1-2/3 par value common stock decreased to $9.06 at December 31, 2002, from $24.81 at December 31, 2001. Book value per share of GM Class H common stock decreased to $1.81 at December 31, 2002, from $4.96 at December 31,2001.

Dividends

Dividends may be paid on common stocks only when, as, and if declared by GM's Board of Directors in its sole discretion. The amount available for the payment of dividends on each class of common stock will be reduced on occasion by dividends paid on that class and will be adjusted on occasion for changes to the amount of surplus attributed to the class resulting from the repurchase or issuance of shares of that class.

At December 31, 2002, the amount available for the payment of dividends on GM $1-2/3 par value and GM Class H common stocks was $10.3 billion and $21.3 billion, respectively. 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 2002, 2001, and 2000. With respect to GM Class H common stock, the GM Board has not approved the payment of any cash dividends to date in order to allow cash to be retained for investment in the business of Hughes.

European Matters

During September 2000, the European Parliament passed a directive requiring member states to adopt legislation regarding end-of-life vehicles and the responsibility of manufacturers for dismantling and recycling vehicles they have sold. European Union member states are required to transform the concepts detailed in the directive into national law. Under the directive,manufacturers are financially responsible for at least a portion of the cost of the take-back of vehicles placed in service after July 2002 and all vehicles placed in service prior to July 2002 that are still in operation in January 2007. The laws developed in the individual national legislatures throughout Europe will have a significant impact on the amount ultimately paid by the manufacturers for this issue. GM recorded, in cost of sales and other expenses in the GME segment, an after-tax charge of $55 million ($0.10 per diluted share of GM $1-2/3 par value common stock) in 2002 for those member states that have passed national laws through December 31, 2002. Management is assessing the impact of this potential legislation on GM's financial position and results of operations, and may include charges to earnings in future periods.

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

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

European Matters *(concluded)*

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

The European Commission has approved a new block exemption regulation that provides for a reform of the rules governing automotive distribution and service in Europe. The European Commission's proposal would eliminate the current block exemption in place since 1985 that permits manufacturers to control where their dealerships are located and the brands that they sell. The current block exemption expired in October 2002; however, there is a transition period until the end of September 2003 for existing agreements with dealers. In order to implement both the new regulatory changes as well as desired commercial strategies, GME issued a termination letter to all European Union dealers (excluding those already under termination notice) while simultaneously also offering an unconditional Letter of Intent to remain part of GME's network. Dealers and authorized repairers are expected to sign new agreements by September 30, 2003 when the new regulation becomes fully effective. Management does not believe that the future impact of the changes to the block exemption regulation will have a material adverse effect on GM's consolidated financial position or the results of operations.

Hughes Transactions

On December 9, 2002, Hughes, GM, and EchoStar Communications Corporation (EchoStar) entered into a Termination, Settlement and Release Agreement (Termination Agreement), in which these parties agreed to terminate the Agreement and Plan of Merger, dated as of October 28, 2001, as amended, between Hughes and EchoStar (Merger Agreement) and certain related agreements. Under the terms of the Termination Agreement, EchoStar paid Hughes $600 million in cash and Hughes retained its 81% ownership position in PanAmSat. This resulted in a gain of $600 million ($372 million after tax), or $0.21 per diluted share of GM $1-2/3 par value common stock, recorded in total net sales and revenues. The companies entered into the Termination Agreement because the merger could not be completed within the time allowed by the Merger Agreement due to regulatory opposition.

GM has announced that it is currently evaluating a variety of strategic options for Hughes, including a reduction or elimination of its retained economic interest in Hughes, transactions that would involve strategic investors and public offerings of GM Class H common stock or related securities for cash or in exchange for outstanding GM debt obligations. (See Note 26 to the consolidated financial statements.) Any such transaction might involve the separation of Hughes from GM. GM and Hughes have engaged in preliminary discussions with some parties. No decisions have been made regarding which options or combinations or options, if any, GM will pursue. Due to the numerous uncertainties involved in these matters, there can be no assurance that any transaction or offering will be announced or completed or as to the time at which such a transaction or offering might be completed.

Isuzu Restructuring

On December 25, 2002 GM, Isuzu and its creditor banks finalized all transactions related to the contemplated restructuring of Isuzu. Under the restructuring package, GM invested a total of Y60 billion (approximately U.S. $500 million) to acquire a majority interest in certain of Isuzu's diesel engine businesses and complete ownership of certain diesel engine technologies. GM also acquired rights to use various related technologies. The allocation of the purchase price to the assets and liabilities acquired will be completed in 2003. In addition, GM had its existing equity in Isuzu retired as part of Isuzu's financial restructuring plan, and GM purchased new equity in Isuzu, leaving GM with a 12% ownership stake in Isuzu.

Investment in GM Daewoo

On October 17, 2002, GM announced that the transfer of certain assets of Daewoo Motor Company had been completed, leading to the creation of GM Daewoo Auto & Technology Company (GM Daewoo). GM, Suzuki Motor Corporation, Shanghai Automotive Industry Corporation (SAIC), and creditors of Daewoo Motor Company are the stockholders in GM Daewoo.

GM Daewoo owns three manufacturing plants and 10 subsidiaries in South Korea, Europe, Puerto Rico, and Vietnam. Included in GM Daewoo are design, engineering, research and development, sales, marketing, and administration assets located in Bupyung, South Korea.

Daewoo Motor Company's manufacturing facility in Bupyung, South Korea, was formed into a new company, Daewoo Incheon Motor Company (DIMC), and will supply GM Daewoo with vehicles, engines, transmissions, and components for at least six years. The agreements give GM Daewoo an option to acquire DIMC any time within the next six years.

As of December 31, 2002, GM invested $251 million in GM Daewoo common stock for its purchase of 42.1% of GM Daewoo, and Daewoo's creditors will own 33%. Suzuki and SAIC will have a 14.9% and 10% equity interest, respectively, in GM Daewoo. GM accounts for this investment under the equity method.

Employment and Payrolls

	At December 31,		
Worldwide employment (in thousands)	**2002**	2001	2000
GMNA	**193**	202	213
GME	**66**	73	89
GMLAAM	**24**	24	25
GMAP	**11**	11	11
GMAC	**32**	29	29
Hughes	**12**	14	12 (1)
Other	**12**	13	11
Total employees	**350**	366	390
Worldwide payrolls (in billions)	**$ 21.0**	$ 19.8	$ 21.0 (1)
U.S. hourly payrolls (in billions) (2) (4)	**$ 9.1**	$ 8.5	$ 9.4
Average labor cost per active hour worked U.S. hourly (3) (4)	**$62.78**	$57.76	$52.16

(1) *Amounts have been adjusted to exclude Hughes employees transferred to The Boeing Company.*
(2) *Includes employees "at work" (excludes laid-off employees receiving benefits).*
(3) *Includes U.S. hourly wages and benefits divided by the number of hours worked.*
(4) *Amounts have been adjusted to exclude Hughes employees.*

Critical Accounting Estimates

Accounting policies are integral to understanding this MD&A. The consolidated financial statements of GM are prepared in conformity with accounting principles generally accepted in the United States, 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 are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustments to these balances in future periods. The Corporation has discussed the development, selection, and disclosures of these critical accounting estimates with the Audit Committee of GM's Board of Directors, and the Audit Committee has reviewed the Corporation's disclosures relating to these estimates.

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

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

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

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

GM has established for its U.S. pension and OPEB plans a discount rate of 6.75% for year-end 2002. The 6.75% discount rate represents a 50 basis point reduction from the 7.25% discount rate used at year-end 2001. GM's U.S. pre-tax pension expense is forecasted to increase from approximately $1.0 billion in 2002, excluding curtailments and settlements, to approximately $2.9 billion in 2003 due to negative 2002 actual asset returns, a lower 2002 year-end discount rate, and lowering of the expected return on plan asset assumption from 10% to 9%.

Critical Accounting Estimates *(concluded)*

The following table illustrates the sensitivity to a change in certain assumptions for U.S. pension plans (as of December 31, 2002, the Projected Benefit Obligation (PBO) for U.S. pension plans was $80.1 billion and the minimum pension liability charged to equity with respect to U.S. pension plans was $21.2 billion net of tax; see Note 14 to the consolidated financial statements):

Change in Assumption	Impact on 2003 Pre-Tax Pension Expense	Impact on December 31, 2002 PBO	Impact on December 31, 2002 Equity (Net of Tax)
25 basis point decrease in discount rate	+$120 million	+$1.9 billion	–$1.1 billion
25 basis point increase in discount rate	–$120 million	–$1.8 billion	+$1.1 billion
25 basis point decrease in expected return on assets	+$170 million	–	–
25 basis point increase in expected return on assets	–$170 million	–	–

These changes in assumptions would have no impact on GM's funding requirements.

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 $57.2 billion as of December 31, 2002; see Note 14 to the consolidated financial statements):

Change in Assumption	Impact on 2003 Pre-Tax OPEB Expense	Impact on December 31, APBO
25 basis point decrease in discount rate	+$150 million	+$1.6 billion
25 basis point increase in discount rate	–$140 million	–$1.5 billion

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

Allowance for Credit Losses – The allowance for credit losses generally is established by GMAC during the period in which receivables are acquired and is maintained at a level considered appropriate by management based on historical and other factors that affect collectibility. These factors include the historical trends of repossessions, charge-offs, recoveries, and credit losses; the careful monitoring of portfolio credit quality, including the impact of acquisitions; and current and projected economic and market conditions. Different assumptions or changes in economic circumstances could result in changes to the allowance for credit losses.

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

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

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

New Accounting Standards

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement eliminates the required classification of gain or loss on extinguishment of debt as an extraordinary item of income and states that such gain or loss be evaluated for extraordinary classification under the criteria of Accounting Principles Board Opinion No. 30, "Reporting Results of Operations." This statement also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions, and makes various other technical corrections to existing pronouncements. The Corporation implemented SFAS No. 145 on January 1, 2003. Management does not expect this statement to have a material impact on GM's consolidated financial position or results of operations.

New Accounting Standards *(concluded)*

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than the date of an entity's commitment to an exit plan, and establishes that fair value is the objective for initial measurement of the liability. The Corporation implemented SFAS No. 146 on January 1, 2003 for transactions that occur after December 31, 2002. Management does not expect this statement to have a material impact on GM's consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. On August 6, 2002, pursuant to SFAS No. 123, GM announced that the Corporation would expense the fair market value of stock options newly granted to employees beginning in January 2003. Assuming prospective application of SFAS No. 123, the expense associated with stock options will be approximately $51 million, or $0.09 per share of GM $1-2/3 par value common stock for 2003. However, management is currently evaluating the various methods of application of SFAS No. 123 outlined in SFAS No. 148 and the associated impact on GM's consolidated financial position or results of operations.

In December 2002, the FASB issued FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee. This interpretation is applicable on a prospective basis to guarantees issued or modified after December 31, 2002. Management is currently evaluating the impact of recognizing such liabilities on GM's consolidated financial position and results of operations. FIN 45 also contains disclosure provisions surrounding existing guarantees, which are effective for financial statements of interim or annual periods ending after December 15, 2002. (See Note 15 to the consolidated financial statements for these disclosures.)

In January 2003, the FASB issued FIN 46,which requires the consolidation of certain entities considered to be VIEs. An entity is considered to be a VIE when it has equity investors which lack the characteristics of a controlling financial interest, or its capital is insufficient to permit it to finance its activities without additional subordinated financial support. Consolidation of a VIE by an investor is required when it is determined that the investor will absorb a majority of the VIE's expected losses or residual returns if they occur. FIN 46 provides certain exceptions to these rules, including qualifying SPEs subject to the requirements of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." VIEs created after January 31, 2003 must be consolidated immediately, while VIEs that existed prior to February 1, 2003 must be consolidated as of July 1, 2003.

GM may be required to consolidate certain VIEs (previously collectively referred to as SPEs) with which it does business. Management is currently reviewing existing VIEs that may require consolidation. However, it is reasonably possible that certain VIEs with assets totaling approximately $1.1 billion, established exclusively to facilitate GM's leasing activities related to the ACO business, may require consolidation. Should GM default on all of its obligations with respect to its involvement in these entities, GM's maximum exposure to loss would be approximately $1.1 billion.

With respect to the FIO business, VIE structures are used to facilitate various activities of GMAC, including securitization of loans, mortgage funding, and other investing activities. Based on management's preliminary assessment, it is reasonably possible that VIEs with assets totaling approximately $17.5 billion may require consolidation. Management is considering restructuring alternatives to ensure the continued non-consolidation of such assets. In the absence of successful alternatives, the consolidation of such VIEs would have the effect of increasing both assets and liabilities in an amount equal to the assets of the VIEs. GM's exposure to loss related to these entities is approximately $3.2 billion.

Additional Matters

Like most domestic and foreign automobile manufacturers, over the years GM has used some brake products incorporating 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 safe 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 which 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.

The efforts of GM and the other domestic auto manufacturers to consolidate their asbestos brake product litigation with similar and related claims currently pending against Federal Mogul in the Delaware bankruptcy court (where the Federal Mogul bankruptcy is pending) were unsuccessful. Although such consolidation made sense for the effective and efficient resolution of the similar and related claims against GM, the failure of this effort will not affect GM's defenses, which remain strong and will be presented in individual cases.

Additional Matters *(concluded)*

Two other types of claims related to alleged asbestos exposure are being asserted against GM, representing a significantly lower exposure than the automotive friction product claims. Like other locomotive manufacturers, GM used a limited amount of asbestos in locomotive brakes and in the insulation used in some locomotives, resulting in lawsuits being filed against it 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. Furthermore, GM believes there is strong statutory and judicial precedent supporting Federal preemption of the asbestos tort claims asserted on behalf of railroad workers. Such preemption would mean that Federal law entirely eliminates the possibility that such individuals could maintain a claim against GM. Many courts examining this issue have agreed with GM's position.

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

Forward-Looking Statements

In this report, in reports subsequently filed by GM with the SEC on Forms 10-Q and 8-K, and in related comments by management of GM and Hughes, our use of the words "expect," "anticipate," "estimate," "forecast," "objective," "plan," "goal," and similar expressions is intended to identify forward-looking statements. While these statements represent our current judgments 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 Forms 10-Q and 8-K:

- Changes in economic conditions, currency exchange rates, significant terrorist acts, or political instability in the major markets where the Corporation procures material, components, and supplies for the production of its principal products or where its products are produced, distributed, or sold (i.e., North America, Europe, Latin America, and Asia Pacific).
- Shortages of fuel or interruptions in transportation systems, labor strikes, work stoppages, or other interruptions to or difficulties in the employment of labor in the major markets where the Corporation purchases material, components, and supplies for the production of its products or where its products are produced, distributed, or sold.
- Significant changes in the competitive environment in the major markets where the Corporation purchases material, components, and supplies for the production of its products or where its products are produced, distributed, or sold.
- Changes in the laws, regulations, policies, or other activities of governments, agencies, and similar organizations where such actions may affect the production, licensing, distribution, or sale of the Corporation's products,the cost thereof, or applicable tax rates.
- 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.
- With respect to Hughes, additional risk factors include: economic conditions, product demand and market acceptance, government action, local political or economic developments in or affecting countries where Hughes has operations, including political, economic, and social uncertainties in many Latin American countries in which DIRECTV Latin America, LLC operates,foreign currency exchange rates, ability to obtain export licenses, competition, the outcome of legal proceedings, ability to achieve cost reductions, ability to timely perform material contracts, ability to renew programming contracts under favorable terms, technological risk, limitations on access to distribution channels, the success and timeliness of satellite launches, in-orbit performance of satellites, loss of uninsured satellites, ability of customers to obtain financing, and Hughes' ability to access capital to maintain its financial flexibility.

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 consolidated financial statements. Further information on GM's exposure to market risk is included in Notes 19 and 20 to the consolidated financial statements.

The following analyses provide quantitative information regarding GM's exposure to foreign currency exchange rate risk, interest rate risk, and commodity and equity price risk. GM uses a model to evaluate the sensitivity of the fair value of financial instruments with exposure to market risk that assumes instantaneous, parallel shifts in exchange rates, interest rate yield curves, and commodity and equity prices. For options and instruments with non-linear 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, 2002, the net fair value asset of financial instruments with exposure to foreign currency risk was approximately $3.7 billion compared to a net fair value liability of $5.3 billion at December 31, 2001. The potential loss in fair value for such financial instruments from a 10% adverse change in quoted foreign currency exchange rates would be approximately $370 million and $531 million for 2002 and 2001, 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 securitization. In addition, GM is exposed to prepayment risk associated with its capitalized mortgage servicing rights and its retained assets. This risk is managed with U.S. Treasury options and futures, which exposes GM to basis risk since the derivative instruments do not have identical characteristics to the underlying mortgage servicing rights. At December 31, 2002 and 2001, the net fair value liability of financial instruments held for purposes other than trading with exposure to interest rate risk was approximately $27.7 billion and $23.3 billion, respectively. The potential loss in fair value resulting from a 10% adverse shift in quoted interest rates would be approximately $1.6 billion and $1.6 billion for 2002 and 2001, respectively. At December 31, 2002 and 2001, the net fair value asset of financial instruments held for trading purposes with exposure to interest rate risk was approximately $4.4 billion and $3.6 billion, respectively. The potential loss in fair value resulting from a 10% adverse shift in quoted interest rates would be approximately $26 million and $182 million for 2002 and 2001, 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 impact 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 non-ferrous metals used in the manufacturing of automotive components. GM enters into commodity forward and option contracts to offset such exposure. At December 31, 2002 and 2001, the net fair value liability of such contracts was approximately $43 million and $78 million, respectively. The potential loss in fair value resulting from a 10% adverse change in the underlying commodity prices would be approximately $159 million and $150 million for 2002 and 2001,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, 2002 and 2001, the fair value of such investments was approximately $1.8 billion and $2.3 billion, respectively. The potential loss in fair value resulting from a 10% adverse change in equity prices would be approximately $182 million and $231 million for 2002 and 2001, respectively.

Responsibilities for the Consolidated Financial Statements and Other Financial Information

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

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

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

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

The Board of Directors, through the Audit Committee (composed entirely of independent Directors), is responsible for assuring that management fulfills its responsibilities in the preparation of the consolidated financial statements. The Audit Committee annually recommends to the Board of Directors the selection of the independent auditors in advance of the Annual Meeting of Stockholders and submits the selection for ratification at the Meeting. In addition, the Audit Committee reviews the scope of the audits and the accounting principles being applied in financial reporting. The independent auditors, representatives of management, and the internal auditors meet regularly (separately and jointly) with the Audit Committee to review the activities of each, to ensure that each is properly discharging its responsibilities, and to assess the effectiveness of internal controls. 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 results of the audit, the adequacy of internal controls, and the quality of financial reporting.

John F. Smith, Jr.
Chairman

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

John M. Devine
Vice Chairman and
Chief Financial Officer

Paul W. Schmidt
Controller

Peter R. Bible
Chief Accounting Officer

Independent Auditors' Report

General Motors Corporation, its Directors, and Stockholders:

We have audited the Consolidated Balance Sheets of General Motors Corporation and subsidiaries as of December 31, 2002 and 2001, and the related Consolidated Statements of Income, Cash Flows, and Stockholders' Equity for each of the three years in the period ended December 31, 2002. Our audits also included the Supplemental Information to the Consolidated Balance Sheets and Consolidated Statements of Income and Cash Flows (collectively, the financial statement schedules). These financial statements and financial statement schedules are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of General Motors Corporation and subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31,2002, 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 financial statements, effective January 1,2002, General Motors Corporation changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standards No. 142,"Goodwill and Other Intangible Assets."

Deloitte + Touche LLP

Detroit, Michigan
January 16, 2003
(March 12, 2003,as to Note 26)

Consolidated Statements of Income

(Dollars in millions except per share amounts) Years ended December 31,	**2002**	2001	2000
GENERAL MOTORS CORPORATION AND SUBSIDIARIES			
Total net sales and revenues (Notes 1, 2, and 23)	**$186,763**	$177,260	$184,632
Cost of sales and other expenses (Notes 2 and 3)	**153,344**	144,093	145,664
Selling, general,and administrative expenses	**23,624**	23,302	22,252
Interest expense (Note 13)	**7,715**	8,347	9,552
Total costs and expenses	**184,683**	175,742	177,468
Income before income taxes and minority interests	**2,080**	1,518	7,164
Income tax expense (Note 8)	**533**	768	2,393
Equity income (loss) and minority interests	**189**	(149)	(319)
Net income	**1,736**	601	4,452
Dividends on preference stocks	**(47)**	(99)	(110)
Earnings attributable to common stocks	**$ 1,689**	$ 502	$ 4,342
Basic earnings (losses) per share attributable to common stocks			
Earnings per share attributable to $1-2/3 par value	**$ 3.37**	$ 1.78	$ 6.80
Earnings per share attributable to Class H	**$ (0.21)**	$ (0.55)	$ 0.56
Earnings (losses) per share attributable to common stocks assuming dilution			
Earnings per share attributable to $1-2/3 par value	**$ 3.35**	$ 1.77	$ 6.68
Earnings per share attributable to Class H	**$ (0.21)**	$ (0.55)	$ 0.55

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

Supplemental Information to the Consolidated Statements of Income

(Dollars in millions) Years ended December 31,	2002	2001	2000
AUTOMOTIVE, COMMUNICATIONS SERVICES,AND OTHER OPERATIONS			
Total net sales and revenues (Notes 1, 2, and 23)	**$159,737**	$151,491	$160,627
Cost of sales and other expenses (Notes 2 and 3)	**144,550**	135,620	138,303
Selling, general, and administrative expenses	**14,993**	16,043	16,246
Total costs and expenses	**159,543**	151,663	154,549
Interest expense (Note 13)	**789**	751	815
Net expense from transactions with Financing and Insurance Operations (Note 1)	**296**	435	682
(Loss) income before income taxes and minority interests	**(891)**	(1,358)	4,581
Income tax (benefit) expense (Note 8)	**(489)**	(270)	1,443
Equity income (loss) and minority interests	**256**	(79)	(299)
Net income (loss) – Automotive,Communications Services,and Other Operations	**$ (146)**	$ (1,167)	$ 2,839

(Dollars in millions) Years ended December 31,	2002	2001	2000
FINANCING AND INSURANCE OPERATIONS			
Total revenues	**$ 27,026**	$ 25,769	$ 24,005
Interest expense (Note 13)	**6,926**	7,596	8,737
Depreciation and amortization expense (Note 9)	**5,541**	5,857	5,982
Operating and other expenses	**8,356**	7,348	5,805
Provisions for financing and insurance losses (Note 1)	**3,528**	2,527	1,580
Total costs and expenses	**24,351**	23,328	22,104
Net income from transactions with Automotive, Communications Services, and Other Operations (Note 1)	**(296)**	(435)	(682)
Income before income taxes and minority interests	**2,971**	2,876	2,583
Income tax expense (Note 8)	**1,022**	1,038	950
Equity income (loss) and minority interests	**(67)**	(70)	(20)
Net income – Financing and Insurance Operations	**$ 1,882**	$ 1,768	$ 1,613

The above Supplemental Information is intended to facilitate analysis of General Motors Corporation's businesses: (1) Automotive,Communications Services, 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,	2002	2001
GENERAL MOTORS CORPORATION AND SUBSIDIARIES		
ASSETS		
Cash and cash equivalents (Note 1)	**$ 21,449**	$ 18,555
Other marketable securities (Note 4)	**16,825**	12,069
Total cash and marketable securities	**38,274**	30,624
Finance receivables – net (Note 5)	**134,647**	109,211
Accounts and notes receivable (less allowances)	**15,715**	10,798
Inventories (less allowances) (Note 6)	**9,967**	10,034
Deferred income taxes (Note 8)	**41,649**	28,239
Equipment on operating leases (less accumulated depreciation) (Note 7)	**34,811**	36,087
Equity in net assets of nonconsolidated associates	**5,044**	4,950
Property – net (Note 9)	**37,973**	36,440
Intangible assets – net (Notes 1 and 10)	**17,954**	16,927
Other assets (Note 11)	**34,748**	39,102
Total assets	**$370,782**	$322,412
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable (principally trade)	**$ 27,452**	$ 26,197
Notes and loans payable (Note 13)	**201,940**	166,314
Postretirement benefits other than pensions (Note 14)	**38,187**	38,393
Pensions (Note 14)	**22,762**	10,839
Deferred income taxes (Notes 8 and 12)	**8,964**	6,690
Accrued expenses and other liabilities (Note 12)	**63,829**	53,526
Total liabilities	**363,134**	301,959
Minority interests	**834**	746
Stockholders' equity (Note 17)		
$1-2/3 par value common stock (outstanding, 560,447,797 and 558,439,976 shares)	**936**	932
Class H common stock (outstanding, 958,284,272 and 877,386,595 shares)	**96**	88
Capital surplus (principally additional paid-in capital)	**21,583**	21,519
Retained earnings	**10,031**	9,463
Subtotal	**32,646**	32,002
Accumulated foreign currency translation adjustments	**(2,784)**	(2,919)
Net unrealized losses on derivatives	**(205)**	(307)
Net unrealized gains on securities	**372**	512
Minimum pension liability adjustment	**(23,215)**	(9,581)
Accumulated other comprehensive loss	**(25,832)**	(12,295)
Total stockholders' equity	**6,814**	19,707
Total liabilities and stockholders' equity	**$370,782**	$322,412

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

Supplemental Information to the Consolidated Balance Sheets

(Dollars in millions) December 31,	**2002**	2001
ASSETS		
Automotive, Communications Services, and Other Operations		
Cash and cash equivalents (Note 1)	**$ 13,291**	$ 8,432
Marketable securities (Note 4)	**2,174**	790
Total cash and marketable securities	**15,465**	9,222
Accounts and notes receivable (less allowances)	**5,861**	5,406
Inventories (less allowances) (Note 6)	**9,967**	10,034
Equipment on operating leases (less accumulated depreciation) (Note 7)	**5,305**	4,524
Deferred income taxes and other current assets (Note 8)	**11,273**	7,877
Total current assets	**47,871**	37,063
Equity in net assets of nonconsolidated associates	**5,044**	4,950
Property – net (Note 9)	**36,152**	34,908
Intangible assets – net (Notes 1 and 10)	**14,611**	13,721
Deferred income taxes (Note 8)	**32,759**	22,294
Other assets (Note 11)	**7,323**	17,274
Total Automotive,Communications Services,and Other Operations assets	**143,760**	130,210
Financing and Insurance Operations		
Cash and cash equivalents (Note 1)	**8,158**	10,123
Investments in securities (Note 4)	**14,651**	11,279
Finance receivables – net (Note 5)	**134,647**	109,211
Investment in leases and other receivables (Note 7)	**35,517**	33,382
Other assets (Note 11)	**34,049**	28,207
Net receivable from Automotive, Communications Services, and Other Operations (Note 1)	**1,089**	1,557
Total Financing and Insurance Operations assets	**228,111**	193,759
Total assets	**$371,871**	$323,969
LIABILITIES AND STOCKHOLDERS' EQUITY		
Automotive, Communications Services, and Other Operations		
Accounts payable (principally trade)	**$ 20,169**	$ 18,297
Loans payable (Note 13)	**1,516**	2,402
Accrued expenses (Note 12)	**40,976**	34,090
Net payable to Financing and Insurance Operations (Note 1)	**1,089**	1,557
Total current liabilities	**63,750**	56,346
Long-term debt (Note 13)	**16,651**	10,726
Postretirement benefits other than pensions (Note 14)	**34,275**	34,515
Pensions (Note 14)	**22,709**	10,790
Other liabilities and deferred income taxes (Notes 8 and 12)	**16,789**	13,794
Total Automotive,Communications Services,and Other Operations liabilities	**154,174**	126,171
Financing and Insurance Operations		
Accounts payable	**7,283**	7,900
Debt (Note 13)	**183,773**	153,186
Other liabilities and deferred income taxes (Notes 8 and 12)	**18,993**	16,259
Total Financing and Insurance Operations liabilities	**210,049**	177,345
Total liabilities	**364,223**	303,516
Minority interests	**834**	746
Stockholders' equity (Note 17)		
$1-2/3 par value common stock (outstanding, 560,447,797 and 558,439,976 shares)	**936**	932
Class H common stock (outstanding, 958,284,272 and 877,386,595 shares)	**96**	88
Capital surplus (principally additional paid-in capital)	**21,583**	21,519
Retained earnings	**10,031**	9,463
Subtotal	**32,646**	32,002
Accumulated foreign currency translation adjustments	**(2,784)**	(2,919)
Net unrealized losses on derivatives	**(205)**	(307)
Net unrealized gains on securities	**372**	512
Minimum pension liability adjustment	**(23,215)**	(9,581)
Accumulated other comprehensive loss	**(25,832)**	(12,295)
Total stockholders' equity	**6,814**	19,707
Total liabilities and stockholders' equity	**$371,871**	$323,969

The above Supplemental Information is intended to facilitate analysis of General Motors Corporation's businesses: (1) Automotive,Communications Services, and Other Operations; and (2) Financing and Insurance Operations.

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

Consolidated Statements of Cash Flows

(Dollars in millions) For the years ended December 31,	**2002**	2001	2000
GENERAL MOTORS CORPORATION AND SUBSIDIARIES			
Cash flows from operating activities			
Net income	**$ 1,736**	$ 601	$ 4,452
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization expenses	**12,938**	12,908	13,411
Postretirement benefits other than pensions,net of payments and VEBA contributions	**(208)**	1,881	799
Pension expense,net of contributions	**(3,380)**	148	128
Net change in mortgage loans	**(4,376)**	(4,241)	242
Net change in mortgage securities	**(656)**	(777)	(577)
Rental fleet vehicle – acquisitions	**(5,595)**	(4,997)	(6,000)
Rental fleet vehicle – dispositions	**4,774**	6,116	6,008
Change in other investments and miscellaneous assets	**6,195**	(1,235)	(538)
Change in other operating assets and liabilities (Note 1)	**4,600**	(101)	3,229
Other	**1,081**	2,682	291
Net cash provided by operating activities	**$ 17,109**	$ 12,985	$ 21,445
Cash flows from investing activities			
Expenditures for property	**(7,443)**	(8,631)	(9,722)
Investments in marketable securities – acquisitions	**(39,386)**	(35,130)	(27,119)
Investments in marketable securities – liquidations	**35,688**	34,352	27,171
Net change in mortgage servicing rights	**(1,711)**	(2,075)	(1,084)
Increase in finance receivables	**(143,166)**	(107,440)	(73,754)
Proceeds from sales of finance receivables	**117,276**	95,949	59,221
Operating leases – acquisitions	**(16,624)**	(12,938)	(15,415)
Operating leases – liquidations	**13,994**	11,892	10,085
Investments in companies, net of cash acquired (Note 1)	**(872)**	(1,285)	(6,379)
Other	**867**	(1,184)	2,597
Net cash used in investing activities	**(41,377)**	(26,490)	(34,399)
Cash flows from financing activities			
Net (decrease) increase in loans payable	**(404)**	(20,044)	7,865
Long-term debt – borrowings	**53,144**	64,371	27,760
Long-term debt – repayments	**(24,889)**	(21,508)	(22,459)
Repurchases of common and preference stocks	**(97)**	(264)	(1,613)
Proceeds from issuing common stocks	**62**	100	2,792
Proceeds from sales of treasury stocks	**19**	418	–
Cash dividends paid to stockholders	**(1,168)**	(1,201)	(1,294)
Net cash provided by financing activities	**26,667**	21,872	13,051
Effect of exchange rate changes on cash and cash equivalents	**495**	(96)	(255)
Net increase (decrease) in cash and cash equivalents	**2,894**	8,271	(158)
Cash and cash equivalents at beginning of the year	**18,555**	10,284	10,442
Cash and cash equivalents at end of the year	**$ 21,449**	$ 18,555	$ 10,284

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

Supplemental Information to the Consolidated Statements of Cash Flows

	2002		2001		2000	
(Dollars in millions) For the years ended December 31	**Automotive, Communi- cations Services, and Other**	**Financing and Insurance**	Automotive, Communi- cations Services, and Other	Financing and Insurance	Automotive, Communi- cations Services, and Other	Financing and Insurance
Cash flows from operating activities						
Net income (loss)	**$ (146)**	**$ 1,882**	$ (1,167)	$ 1,768	$ 2,839	$ 1,613
Adjustments to reconcile net income (loss) to net cash provided by operating activities						
Depreciation and amortization expenses	**7,397**	**5,541**	7,051	5,857	7,429	5,982
Postretirement benefits other than pensions, net of payments and VEBA contributions	**(223)**	**15**	1,861	20	772	27
Pension expense, net of contributions	**(3,380)**	**–**	148	–	128	–
Net change in mortgage loans	**–**	**(4,376)**	–	(4,241)	–	242
Net change in mortgage securities	**–**	**(656)**	–	(777)	–	(577)
Rental fleet vehicle – acquisitions	**(5,595)**	**–**	(4,997)	–	(6,000)	–
Rental fleet vehicle – dispositions	**4,774**	**–**	6,116	–	6,008	–
Change in other investments and miscellaneous assets	**2,689**	**3,506**	959	(2,194)	1,154	(1,692)
Change in other operating assets and liabilities (Note 1)	**4,649**	**(49)**	(2,056)	1,955	724	2,505
Other	**(1,694)**	**2,775**	(357)	3,039	(1,966)	2,257
Net cash provided by operating activities	**$ 8,471**	**$ 8,638**	$ 7,558	$ 5,427	$ 11,088	$ 10,357
Cash flows from investing activities						
Expenditures for property	**(6,986)**	**(457)**	(8,611)	(20)	(9,200)	(522)
Investments in marketable securities – acquisitions	**(2,228)**	**(37,158)**	(857)	(34,273)	(2,520)	(24,599)
Investments in marketable securities – liquidations	**873**	**34,815**	1,228	33,124	3,057	24,114
Net change in mortgage servicing rights	**–**	**(1,711)**	–	(2,075)	–	(1,084)
Increase in finance receivables	**–**	**(143,166)**	–	(107,440)	–	(73,754)
Proceeds from sales of finance receivables	**–**	**117,276**	–	95,949	–	59,221
Operating leases – acquisitions	**–**	**(16,624)**	–	(12,938)	–	(15,415)
Operating leases – liquidations	**–**	**13,994**	–	11,892	–	10,085
Investments in companies, net of cash acquired	**(690)**	**(182)**	(743)	(542)	(4,302)	(2,077)
Net investing activity with Financing and Insurance Operations (Note 1)	**400**	**–**	(500)	–	(1,069)	–
Other	**1,700**	**(833)**	(768)	(416)	2,504	93
Net cash used in investing activities	**(6,931)**	**(34,046)**	(10,251)	(16,739)	(11,530)	(23,938)
Cash flows from financing activities						
Net increase (decrease) in loans payable	**(1,482)**	**1,078**	194	(20,238)	142	7,723
Long-term debt – borrowings	**6,295**	**46,849**	5,849	58,522	5,279	22,481
Long-term debt – repayments	**(328)**	**(24,561)**	(2,602)	(18,906)	(6,196)	(16,263)
Net financing activity with Automotive,Communications Services,and Other Operations	**–**	**(400)**	–	500	–	1,069
Repurchases of common and preference stocks	**(97)**	**–**	(264)	–	(1,613)	–
Proceeds from issuing common stocks	**62**	**–**	100	–	2,792	–
Proceeds from sales of treasury stocks	**19**	**–**	418	–	–	–
Cash dividends paid to stockholders	**(1,168)**	**–**	(1,201)	–	(1,294)	–
Net cash provided by (used in) financing activities	**3,301**	**22,966**	2,494	19,878	(890)	15,010
Effect of exchange rate changes on cash and cash equivalents	**485**	**10**	(74)	(22)	(249)	(6)
Net transactions with Automotive/Financing Operations	**(467)**	**467**	(414)	414	970	(970)
Net increase (decrease) in cash and cash equivalents	**4,859**	**(1,965)**	(687)	8,958	(611)	453
Cash and cash equivalents at beginning of the year	**8,432**	**10,123**	9,119	1,165	9,730	712
Cash and cash equivalents at end of the year	**$13,291**	**$ 8,158**	$ 8,432	$ 10,123	$ 9,119	$ 1,165

The above Supplemental Information is intended to facilitate analysis of General Motors Corporation's businesses: (1) Automotive,Communications Services, and Other Operations; and (2) Financing and Insurance Operations.

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

Consolidated Statements of Stockholders' Equity

(Dollars in millions)	Total Capital Stock	Capital Surplus	Comprehensive Income (Loss)	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at January 1,2000	$1,047	$13,794		$ 6,961	$ (1,158)	$ 20,644
Shares reacquired	(184)	(9,626)		–	–	(9,810)
Shares issued	139	16,852		–	–	16,991
Comprehensive income:						
Net income	–	–	$ 4,452	4,452	–	4,452
Other comprehensive income (loss):						
Foreign currency translation adjustments	–	–	(469)	–	–	–
Unrealized losses on securities	–	–	(415)	–	–	–
Minimum pension liability adjustment	–	–	76	–	–	–
Other comprehensive loss			(808)		(808)	(808)
Comprehensive income	–	–	$ 3,644	–	–	–
Cash dividends	–	–		(1,294)	–	(1,294)
Balance at December 31, 2000	1,002	21,020		10,119	(1,966)	30,175
Shares reacquired	–	(125)		–	–	(125)
Shares issued	18	624		–	–	642
Comprehensive income:						
Net income	–	–	$ 601	601	–	601
Other comprehensive income (loss):						
Foreign currency translation adjustments	–	–	(417)	–	–	–
Unrealized losses on derivatives	–	–	(307)	–	–	–
Unrealized losses on securities	–	–	(69)	–	–	–
Minimum pension liability adjustment	–	–	(9,536)	–	–	–
Other comprehensive loss	–	–	(10,329)		(10,329)	(10,329)
Comprehensive loss	–	–	$ (9,728)	–	–	–
Delphi spin-off adjustment (a)	–	–		(56)	–	(56)
Cash dividends	–	–		(1,201)	–	(1,201)
Balance at December 31, 2001	1,020	21,519		9,463	(12,295)	19,707
Shares reacquired	–	(2,086)		–	–	(2,086)
Shares issued	12	2,150		–	–	2,162
Comprehensive income:						
Net income	–	–	$ 1,736	1,736		1,736
Other comprehensive income (loss):						
Foreign currency translation adjustments	–	–	135	–	–	–
Unrealized gains on derivatives	–	–	102	–	–	–
Unrealized losses on securities	–	–	(140)	–	–	–
Minimum pension liability adjustment	–	–	(13,634)	–	–	–
Other comprehensive loss	–	–	(13,537)	–	(13,537)	(13,537)
Comprehensive loss	–	–	$(11,801)	–	–	–
Cash dividends	–	–		(1,168)	–	(1,168)
Balance at December 31, 2002	**$1,032**	**$21,583**		**$10,031**	**$(25,832)**	**$ 6,814**

(a) *Resolution of workers' compensation,pension,and other postemployment liabilities owed to GM by Delphi Automotive Systems,which GM spun-off in 1999.*

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) and Hughes Electronics Corporation and Subsidiaries (Hughes), (collectively referred to as the “Corporation,” “General Motors,” or “GM”). 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 and Hughes Annual Reports on Form 10-K for the period ended December 31, 2002, filed separately with the United States Securities and Exchange Commission, and the Hughes consolidated financial statements included as Exhibit 99 to the GM Annual Report on Form 10-K for the period ended December 31, 2002.

Certain amounts for 2001 and 2000 have been reclassified to conform with the 2002 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, Communications Services, and Other Operations (ACO).

To facilitate analysis, GM presents supplemental information to the statements of income, balance sheets, and statements of cash flows for the following businesses: (1) ACO, which consists of the design, manufacturing, and marketing of cars, trucks, locomotives, and heavy-duty transmissions and related parts and accessories, as well as the operations of Hughes; 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, commercial and vehicle insurance, and asset-based lending.

Use of Estimates in the Preparation of the Financial Statements

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

Revenue Recognition

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

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

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

Advertising and Research and Development

Advertising, research and development, and other product-related costs are charged to expense as incurred. Advertising expense was $4.6 billion in 2002, $4.3 billion in 2001, and $4.6 billion in 2000. Research and development expense was $5.8 billion in 2002, $6.2 billion in 2001, and $6.6 billion in 2000.

Depreciation and Amortization

Expenditures for special tools placed in service after January 1, 2002 are amortized using the straight-line method over their estimated useful lives. Expenditures for special tools placed in service prior to January 1, 2002 are amortized over their estimated useful lives, primarily using the units of production method. Replacements of special tools for reasons other than changes in products are charged directly to cost of sales. As of January 1,2001, the Corporation adopted the straight-line method of depreciation for real estate, plants, and equipment placed in service after that date. Assets placed in service before January 1, 2001 continue generally to be depreciated using accelerated methods. The accelerated methods accumulate depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives of property groups as compared to the straight-line method, which allocates depreciable costs equally over the estimated useful lives of property groups. Management believes the adoption of the straight-line amortization/depreciation method for special tools placed into service after January 1, 2002 and real estate, plants, and equipment placed into service after January 1, 2001 better reflects the consistent use of these assets over their useful lives. The effect of these changes on the results of operations for the years ended December 31, 2002 and 2001 is estimated at $7 million and $26 million after tax, respectively.

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

Note 1 Significant Accounting Policies *(continued)*

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.

Goodwill and Other Intangible Assets

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

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

Years ended December 31,	**2002**	2001	2000
Reported net income	**$1,736**	$ 601	$4,452
Add:			
Goodwill amortization	**–**	327	318
Amortization of intangibles with indefinite lives	**–**	7	7
Adjusted net income	**$1,736**	$ 935	$4,777
Basic earnings (losses) per share attributable to common stocks			
EPS attributable to GM $1-2/3 par value:			
Reported	**$ 3.37**	$ 1.78	$ 6.80
Adjusted	**$ 3.37**	$ 2.11	$ 7.16
EPS attributable to GM Class H:			
Reported	**$ (0.21)**	$(0.55)	$ 0.56
Adjusted	**$ (0.21)**	$(0.38)	$ 0.74
Earnings (losses) per share attributable to common stocks assuming dilution			
EPS attributable to GM $1-2/3 par value:			
Reported	**$ 3.35**	$ 1.77	$ 6.68
Adjusted	**$ 3.35**	$ 2.10	$ 7.03
EPS attributable to GM Class H:			
Reported	**$ (0.21)**	$(0.55)	$ 0.55
Adjusted	**$ (0.21)**	$(0.38)	$ 0.72

Foreign Currency Transactions and Translation

Foreign currency exchange transaction and translation losses, net of taxes, included in consolidated net income in 2002, 2001, and 2000, pursuant to SFAS No. 52, "Foreign Currency Translation," amounted to $98 million, $147 million, and $57 million, respectively.

Stock-Based Compensation

Through December 31, 2002, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," GM applied the intrinsic value method of recognition and measurement under Accounting Principles Board Opinion No. 25 (APB No. 25) to its stock options and other stock-based employee compensation awards. No compensation expense related to employee stock options is reflected in net income, 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 August of 2002, GM announced that, beginning January 1, 2003, the Corporation will expense the fair market value of stock options newly granted to employees pursuant to SFAS No. 123. The following table illustrates the effect on net income and earnings per share if compensation cost for all outstanding and unvested stock option and other stock-based employee compensation awards had been determined based on the fair value at the grant date, consistent with the method prescribed by SFAS No. 123 (dollars in millions except per share amounts):

Years ended December 31,		**2002**	2001	2000
Net income, as reported		**$1,736**	$ 601	$4,452
Less: Stock-based compensation expense determined using fair value-based method in SFAS No. 123		**(318)**	(374)	(327)
Pro forma net income		**$1,418**	$ 227	$4,125
Earnings (losses) attributable to common stocks				
$1-2/3 par value	– as reported	**$1,885**	$ 984	$3,957
	– pro forma	**$1,687**	$ 769	$3,709
Class H	– as reported	**$ (196)**	$ (482)	$ 385
	– pro forma	**$ (316)**	$ (642)	$ 306
Basic earnings (losses) per share attributable to common stocks				
$1-2/3 par value	– as reported	**$ 3.37**	$ 1.78	$ 6.80
	– pro forma	**$ 3.01**	$ 1.39	$ 6.38
Class H	– as reported	**$ (0.21)**	$(0.55)	$ 0.56
	– pro forma	**$ (0.34)**	$(0.73)	$ 0.45
Diluted earnings (losses) per share attributable to common stocks				
$1-2/3 par value	– as reported	**$ 3.35**	$ 1.77	$ 6.68
	– pro forma	**$ 3.00**	$ 1.38	$ 6.26
Class H	– as reported	**$ (0.21)**	$(0.55)	$ 0.55
	– pro forma	**$ (0.34)**	$(0.73)	$ 0.44

Note 1 Significant Accounting Policies *(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 (see Note 12).

Cash and Cash Equivalents

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

Statement of Cash Flows Supplementary Information

(Dollars in millions) Years ended December 31,	2002	2001	2000
Automotive, Communications Services,and Other Operations			
Increase (decrease) in cash due to changes in other operating assets and liabilities was as follows:			
Accounts receivable	**$ (116)**	$ 111	$ (625)
Prepaid expenses and other deferred charges	**289**	(254)	66
Inventories	**350**	522	(297)
Accounts payable	**861**	558	1,254
Deferred taxes and income taxes payable	**(1,921)**	(1,444)	(629)
Accrued expenses and other liabilities	**5,186**	(1,549)	955
Total	**$ 4,649**	$(2,056)	$ 724
Cash paid for interest and income taxes was as follows:			
Interest	**$ 1,341**	$ 892	$ 968
Income taxes	**$ 1,726**	$ 1,149	$2,310

During 2002, ACO made investments in companies, net of cash acquired, of approximately $700 million. This amount consists primarily of GM’s purchase of a 42.1% equity interest in GM Daewoo Auto & Technology Company (GM Daewoo) for approximately $251 million and GM's investments in Isuzu-related entities for $180 million.

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

During 2000, ACO made investments in companies, net of cash acquired, of approximately $4.3 billion. This amount consists primarily of GM's purchase of a 20% equity interest in Fuji Heavy Industries Ltd. (Fuji) for approximately $1.3 billion and GM’s acquisition of a 20% interest in Fiat Auto Holdings, B.V. (FAH) for $2.4 billion. In addition during 2000, Fiat S.p.A. purchased approximately 32 million shares of GM $1-2/3 par value common stock for $2.4 billion, which is included in proceeds from issuing common stocks.

Years ended December 31, *(Dollars in millions)*	2002	2001	2000
Financing and Insurance Operations			
Increase (decrease) in cash due to changes in other operating assets and liabilities was as follows:			
Other receivables	**$(3,673)**	$(1,386)	$ (726)
Other assets	**23**	(82)	(29)
Accounts payable	**(617)**	483	3,155
Deferred taxes and other liabilities	**4,218**	2,940	105
Total	**$ (49)**	$ 1,955	$2,505
Cash paid for interest and income taxes was as follows:			
Interest	**$ 6,639**	$ 7,239	$8,511
Income taxes	**$ 471**	$ 1,955	$ 475

FIO made investments in companies, net of cash acquired, of approximately $180 million, $540 million,and $2.1 billion in 2002, 2001, and 2000, respectively. The 2001 investments were primarily for a mortgage warehouse lending business. The 2000 investments were primarily for a commercial factoring business and a Japanese real estate holding company.

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 accumulated other comprehensive loss. Amounts are reclassified from accumulated other comprehensive loss when the underlying hedged item impacts earnings and all ineffective changes in fair value are recorded currently in earnings. Changes in fair value of derivatives designated as fair value hedges are recorded currently in earnings offset to the extent the derivative was effective by changes in fair value of the hedged item. Changes in fair value of derivatives not designated as hedging instruments are recorded currently in earnings.

New Accounting Standards

In April 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” This statement eliminates the required classification of gain or loss on extinguishment of debt as an extraordinary item of income and states that such gain or loss be evaluated

Note 1 Significant Accounting Policies *(concluded)*

for extraordinary classification under the criteria of Accounting Principles Board Opinion No. 30, "Reporting Results of Operations." This statement also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions, and makes various other technical corrections to existing pronouncements. The Corporation implemented SFAS No. 145 on January 1, 2003. Management does not expect this statement to have a material impact on GM's consolidated financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than the date of an entity's commitment to an exit plan, and establishes that fair value is the objective for initial measurement of the liability. The Corporation implemented SFAS No. 146 on January 1, 2003 for transactions that occur after December 31, 2002. Management does not expect this statement to have a material impact on GM's consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. On August 6, 2002, pursuant to SFAS No. 123, GM announced that the Corporation would expense the fair market value of stock options newly granted to employees beginning in January 2003.

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

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" (FIN 46), which requires the consolidation of certain entities considered to be variable interest entities (VIEs). An entity is considered to be a VIE when it has equity investors which lack the characteristics of a controlling financial interest, or its capital is insufficient to permit it to finance its activities without additional subordinated financial support. Consolidation of a VIE by an investor is required when it is determined that the investor will absorb a majority of the VIE's expected losses or residual returns if they occur. FIN 46 provides certain exceptions to these rules, including qualifying SPEs subject to the requirements of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." VIEs created after January 31, 2003 must be consolidated immediately, while VIEs that existed prior to February 1, 2003 must be consolidated as of July 1, 2003.

GM may be required to consolidate certain VIEs (previously collectively referred to as SPEs) with which it does business. Management is currently reviewing existing VIEs that may require consolidation. However, it is reasonably possible that certain VIEs with assets totaling approximately $1.1 billion, established exclusively to facilitate GM's leasing activities related to the ACO business, may require consolidation. Should GM default on all of its obligations with respect to its involvement in these entities, GM's maximum exposure to loss would be approximately $1.1 billion.

With respect to the FIO business, VIE structures are used to facilitate various activities of GMAC, including securitization of loans, mortgage funding, and other investing activities. Based on management's preliminary assessment, it is reasonably possible that VIEs with assets totaling approximately $17.5 billion may require consolidation. Management is considering restructuring alternatives to ensure the continued non-consolidation of such assets. In the absence of successful alternatives, the consolidation of such VIEs would have the effect of increasing both assets and liabilities in an amount equal to the assets of the VIEs. GM's exposure to loss related to these entities is approximately $3.2 billion.

Labor Force

GM, on a worldwide basis, has a concentration of its labor supply in employees working under union collective bargaining agreements, a significant number of which will expire in 2003.

Note 2 Asset Impairments

GM recorded pre-tax charges against income for asset impairments of $254 million ($158 million after tax, or $0.28 per share of GM $1-2/3 par value common stock) in 2002, $140 million ($90 million after tax, or $0.16 per share of GM $1-2/3 par value common stock) in 2001, and $917 million ($587 million after tax, or $0.99 per share of GM $1-2/3 par value common stock) in 2000. These charges are components of the following line items in the income statement:

	Years ended December 31,		
(Dollars in millions)	**2002**	2001	2000
Total net sales and revenues	**$ –**	$ –	$315
Cost of sales and other expenses	**254**	140	602
Total	**$254**	$140	$917

In 2002, the pre-tax charges were comprised of $113 million ($70 million after tax) for GM Europe (GME), and $141 million ($88 million after tax) for GM North America (GMNA). The charges related to the write-down of equipment associated with GME's restructuring initiative implemented during the first quarter of 2002 (see Note 24). The GMNA charges relate to equipment write-downs associated with changes to the region's production facilities and the write-down of special tools.

Note 2 Asset Impairments *(concluded)*

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

In 2000, the pre-tax charges were comprised of $572 million ($356 million after tax) for GMNA, and $345 million ($231 million after tax) for GME. The charges related to the write-down of special tools and equipment on operating leases as a result of the phase-out of the Oldsmobile division as the current model lineup product lifecycles come to an end, or until the models are no longer economically viable, and the reduction in production capacity at GME, including the restructuring of Vauxhall Motors Limited's manufacturing operations in the U.K.

Note 3 Postemployment Benefit Costs

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

In 2002, GM recognized postemployment benefit liabilities of $281 million ($174 million after tax, or $0.31 per share of GM $1-2/3 par value common stock) primarily related to the transfer of commercial truck production from Janesville, Wisconsin, to Flint, Michigan. The Janesville charge relates to 772 employees and was included in cost of sales.

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

In 2001, GM recognized postemployment benefit liabilities related to the announced closing of the Ste. Therese, Quebec, assembly plant in 2002. The 2001 charge relates to 1,350 employees and increased cost of sales by $137 million ($89 million after tax, or $0.16 per share of GM $1-2/3 par value common stock).

The liability for postemployment benefits as of December 31, 2002 totals approximately $613 million relating to 11 plants and approximately 3,400 employees, with anticipated spending of approximately 70% over the next three years. The liability for postemployment benefits was $626 million relating to 12 plants and approximately 5,600 employees as of December 31, 2001. The liability for postemployment benefits was $665 million relating to 12 plants and approximately 5,800 employees as of December 31, 2000. The following tables summarize the activity from December 31, 2000 through December 31, 2002 for this liability (dollars in millions):

Balance at December 31,2000	$ 665
Spending	(214)
Interest accretion	38
Additions	137
Adjustments	–
Balance at December 31,2001	$ 626
Spending	(182)
Interest accretion	47
Additions	281
Adjustments	(159)
Balance at December 31, 2002	**$ 613**

Note 4 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. 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, Communications Services, and Other Operations

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

December 31,2002	**Cost**	**Book/ Fair Value**	**Unrealized Gains**	**Unrealized Losses**
Type of security				
Bonds,notes, and other securities				
Corporate debt securities and other	**$1,915**	**$1,932**	**$22**	**$5**
U.S. government and agencies	**240**	**242**	**2**	**–**
Total marketable securities	**$2,155**	**$2,174**	**$24**	**$5**

December 31,2001	Cost	Book/ Fair Value	Unrealized Gains	Unrealized Losses
Type of security				
Bonds,notes, and other securities				
Corporate debt securities and other	$777	$790	$13	$–
Total marketable securities	$777	$790	$13	$–

Debt securities totaling $342 million mature within one year and $1.7 billion mature after one through five years, $27 million mature after five through 10 years and $90 million mature after 10 years. Proceeds from sales of marketable securities totaled $261 million in 2002, $373 million in 2001, and $1.3 billion in 2000. The gross gains related to sales of marketable securities were $3 million, $3 million, and $1 million in 2002, 2001, and 2000, respectively. The gross losses related to sales of marketable securities were zero, $7 million, and $12 million in 2002, 2001, and 2000, respectively.

Note 4 Marketable Securities *(concluded)*

Financing and Insurance Operations

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

December 31,2002	Cost	Book / Fair Value	Unrealized Gains	Unrealized Losses
Type of security				
Bonds, notes,and other securities				
U.S. government and agencies	**$ 2,836**	**$ 2,875**	**$ 39**	**$ –**
States and municipalities	**599**	**650**	**52**	**1**
Foreign government securities	**479**	**497**	**19**	**1**
Mortgage-backed securities	**2,479**	**2,708**	**292**	**63**
Corporate debt securities and other	**1,886**	**1,986**	**110**	**10**
Total debt securities available-for-sale	**8,279**	**8,716**	**512**	**75**
Mortgage-backed securities held-to-maturity	**305**	**305**	**–**	**–**
Mortgage-backed securities held for trading purposes	**5,029**	**4,378**	**–**	**651**
Total debt securities	**13,613**	**13,399**	**512**	**726**
Equity securities	**1,224**	**1,252**	**163**	**135**
Total investment in securities	**$14,837**	**$14,651**	**$675**	**$861**
Total consolidated other marketable securities	**$16,992**	**$16,825**	**$699**	**$866**

December 31,2001	Cost	Book / Fair Value	Unrealized Gains	Unrealized Losses
Type of security				
Bonds, notes,and other securities				
U.S. government and agencies	$ 615	$ 626	$ 14	$ 3
States and municipalities	931	970	43	4
Foreign government securities	35	37	2	–
Mortgage-backed securities	2,334	2,509	203	28
Corporate debt securities and other	1,704	1,721	43	26
Total debt securities available-for-sale	5,619	5,863	305	61
Mortgage-backed securities held to maturity	375	375	–	–
Mortgage-backed securities held for trading purposes	4,306	3,722	–	584
Total debt securities	10,300	9,960	305	645
Equity securities	1,215	1,319	246	142
Total investment in securities	$11,515	$11,279	$551	$787
Total consolidated other marketable securities	$12,292	$12,069	$564	$787

Debt securities available-for-sale totaling $514 million mature within one year, $1.7 billion mature after one through five years, $1.3 billion mature after five years through 10 years, and $5.2 billion mature after 10 years. Proceeds from sales of marketable securities totaled $12.8 billion in 2002, $5.1 billion in 2001, and $3.5 billion in 2000. The gross gains related to sales of marketable securities were $402 million, $228 million,and $316 million in 2002, 2001, and 2000, respectively. The gross losses related to sales of marketable securities were $121 million, $145 million, and $148 million in 2002, 2001, and 2000, respectively.

Note 5 Finance Receivables and Securitizations

Finance Receivables – Net

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

December 31,	**2002**	2001
Consumer		
Retail automotive	**$ 77,392**	$ 66,560
Residential mortgages	**15,238**	2,879
Total consumer	**92,630**	69,439
Commercial		
Automotive:		
Wholesale	**21,462**	15,580
Leasing and lease financing	**5,985**	8,572
Term loans to dealers and others	**5,584**	5,545
Commercial and industrial	**9,461**	10,350
Commercial real estate:		
Commercial mortgage	**621**	473
Construction	**1,963**	1,419
Total commercial	**45,076**	41,939
Total finance receivables and loans	**$137,706**	$111,378
Allowance for financing losses	**(3,059)**	(2,167)
Total consolidated finance receivables – net (1)	**$134,647**	$109,211

(1) *Net of unearned income of $6.5 billion and $5.8 billion at December 31, 2002 and 2001.*

Finance receivables that originated outside the U.S. were $23.4 billion and $20.2 billion at December 31, 2002 and 2001, respectively. The aggregate amount of total finance receivables maturing in each of the five years following December 31, 2002 is as follows: 2003 – $60.4 billion; 2004 – $25.6 billion; 2005 – $19.4 billion; 2006 – $13.0 billion; 2007 – $7.1 billion; and 2008 and thereafter – $18.7 billion. Actual maturities may differ from those scheduled due to prepayments.

Note 5 Finance Receivables and Securitizations

(continued)

Securitizations of Finance Receivables and Mortgage Loans

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

The Corporation retains servicing responsibilities and subordinated interests for all of its securitizations of retail finance receivables and wholesale loans. Servicing responsibilities are retained for the majority of its residential and commercial mortgage loan securitizations; subordinate interests are retained for some of these securitizations. As of December 31, 2002, the weighted-average servicing fees for GM's primary servicing activities were 190 basis points, 100 basis points, 33 basis points, and 9 basis points of the outstanding principal balance for sold retail finance receivables, wholesale loans, residential mortgage loans, and commercial mortgage loans, respectively. Additionally, the Corporation receives the rights to cash flows remaining after the investors in the securitization trusts have received their contractual payments.

The Corporation maintains cash reserve accounts at predetermined amounts for certain securitization activities in the unlikely event that deficiencies occur in cash flows owed to the investors. The amounts available in such cash reserve accounts are recorded in other assets and totaled $280 million, $937 million,$365 million, and $24 million as of December 31, 2002 for retail finance receivable, wholesale loan, residential mortgage loan, and commercial mortgage loan securitizations, respectively, and $255 million, $893 million, $378 million, and $7 million as of December 31, 2001, respectively.

The following table summarizes pre-tax gains on securitizations and certain cash flows received from and paid to securitization trusts for sales that were completed during 2002, 2001, and 2000:

Year ended December 31,	**2002**			
(In millions)	**Retail Finance Receivables**	**Wholesale Loans**	**Mortgage Loans Residential**	**Mortgage Loans Commercial**
Pre-tax gains on securitizations	**$ 239**	**$ –**	**$ 619**	**$ 30**
Cash flow information				
Proceeds from new securitizations	**$9,982**	**$ 2,327**	**$38,025**	**$1,848**
Servicing fees received	**251**	**$ 146**	**268**	**17**
Other cash flows received on retained interests	**$1,120**	**$ 235**	**$ 1,044**	**$ 86**
Purchases of delinquent or foreclosed assets	**$ (299)**	**$ –**	**$ (131)**	**$ –**
Pool buyback cash flows	**$ (289)**	**$ (55)**	**$ (714)**	**$ –**
Servicing advances	**$ (117)**	**$ –**	**$ (2,470)**	**$ (122)**
Repayments of servicing advances	**$ 117**	**$ –**	**$ 2,352**	**$ 116**
Proceeds from collections reinvested in revolving securitizations	**$ 482**	**$104,485**	**$ –**	**$ –**

Year ended December 31,	2001			
(In millions)	Retail Finance Receivables	Wholesale Loans	Mortgage Loans Residential	Mortgage Loans Commercial
Pre-tax gains on securitizations	$ 210	$ –	$ 966	$ 24
Cash flow information				
Proceeds from new securitizations	$7,331	$ 7,055	$35,137	$2,934
Servicing fees received	$ 168	$ 124	$ 256	$ 16
Other cash flows received on retained interests	$1,160	$ 400	$ 844	$ 60
Purchases of delinquent or foreclosed assets	$ (240)	$ –	$ (34)	$ –
Pool buyback cash flows	$ (270)	$ –	$ (390)	$ –
Servicing advances	$ (88)	$ –	$ (1,861)	$ (95)
Repayments of servicing advances	$ 66	$ –	$ 1,817	$ 71
Proceeds from collections reinvested in revolving securitizations	$ –	$81,563	$ 364	$ –

Year ended December 31,	2000			
(In millions)	Retail Finance Receivables	Wholesale Loans	Mortgage Loans Residential	Mortgage Loans Commercial
Pre-tax gains on securitizations	$ 14	$ –	$ 682	$ 33
Cash flow information				
Proceeds from new securitizations	$4,559	$ 4,199	$24,959	$2,310
Servicing fees received	$ 105	$ 85	$ 212	$ 13
Other cash flows received on retained interests	$1,550	$ 631	$ 483	$ 44
Purchases of delinquent or foreclosed assets	$ (182)	$ –	$ (282)	$ –
Pool buyback cash flows	$ (348)	$ –	$ –	$ –
Servicing advances	$ (75)	$ –	$ (617)	$ (82)
Repayments of servicing advances	$ 66	$ –	$ 586	$ 74
Proceeds from collections reinvested in revolving securitizations	$ –	$50,463	$ –	$ –

Pre-tax gains recognized on commercial investment securities were $18 million, $17 million, and $7 million for the years ended December 31, 2002, 2001, and 2000, respectively. Cash proceeds from new securitizations of commercial investment securities were $439 million, $643 million, and $382 million for the years ended December 31, 2002, 2001, and 2000,respectively. In addition, cash flows received on retained interests of commercial investment securities aggregated $37 million, $16 million, and $2 million for the years ended December 31, 2002,2001, and 2000, respectively.

Note 5 Finance Receivables and Securitizations *(continued)*

Key economic assumptions used in measuring the retained interests of sales completed during 2002 and 2001, as of the dates of such sales, were as follows:

Years ended December 31,	**2002**				2001			
	Retail Finance Receivables[a]	**Mortgage Loans**		**Commercial Investment Securities**	Retail Finance Receivables[a]	Mortgage Loans		Commercial Investment Securities
		Residential[b]	**Commercial**			Residential[b]	Commercial	
Key assumptions (rates per annum):								
Annual prepayment rate [c]	**0.8–1.3%**	**6.9–54.7%**	**0.0–50.0%**	**0.0–90.0%**	0.8–1.3%	9.8–38.0%	0.0–50.0%	0.0–25.0%
Weighted-average life (in years)	**1.5–2.6**	**1.3–4.5**	**1.0–7.8**	**2.7–16.4**	1.5–1.8	1.7–6.4	1.2–9.3	3.5–14.9
Expected credit losses	[d]	**0.0–24.8%**	**0.0–1.5%**	**0.0–0.9%**	[d]	0.0–22.9%	0.0–1.9%	0.0–0.8%
Discount rate	**9.5–12.0%**	**6.5–13.5%**	**2.8–37.4%**	**3.4–23.9%**	9.5–12.0%	6.5–13.5%	6.9–54.7%	9.8–19.5%
Variable returns to transferees	**1 month LIBOR + contractual spread**	**Interest rate yield curve + contractual spread**			1 month LIBOR + contractual spread	Interest rate yield curve + contractual spread		

(a) *The fair value of retained interests in wholesale securitizations approximates cost due to 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) *Based on the weighted-average maturity (WAM) for finance receivables and constant prepayment rate (CPR) for mortgage loans and commercial mortgage securities.*
(d) *A reserve totaling $127 million and $92 million at December 31,2002 and 2001,respectively, has been established for expected credit losses on sold retail finance receivables.*

The table below outlines the key economic assumptions and the sensitivity of the estimated fair value of retained interests at December 31, 2002 to immediate 10% and 20% adverse changes in those assumptions:

(Dollars in millions)	Retail Finance Receivables[a]	Mortgage Loans		Commercial Investment Securities
		Residential	Commercial	
Carrying value/fair value of retained interests	$1,850[b]	$1,661	$624	$336
Weighted-average life (in years)	0.1–2.6	1.3–4.6	0.1–19.4	1.2–20.9
Annual prepayment rate	0.2–1.5% WAM	6.6–80.7% CPR	0.0–50.0% CPR	0.0–90.0% CPR
Impact of 10% adverse change	$ –	$(144)	$ –	$ (1)
Impact of 20% adverse change	–	(267)	–	(2)
Loss assumption	[b]	0.0–24.8%	0.0–4.1%	0.0–36.8%
Impact of 10% adverse change	$(13)	$(205)	$ (4)	$ (5)
Impact of 20% adverse change	(26)	(399)	(8)	(9)
Discount rate	9.5–14.0%	6.5–13.5%	2.8–45.0%	3.6–28.5%
Impact of 10% adverse change	$(11)	$ (39)	$ (14)	$ (21)
Impact of 20% adverse change	(21)	(78)	(27)	(41)
Market rate [d]	1.3–3.6%	[c]	[c]	[c]
Impact of 10% adverse change	$(13)	$ (33)	$ –	$ –
Impact of 20% adverse change	(26)	(62)	–	–

(a) *The fair value of retained interests in wholesale securitizations approximates cost due to the short-term and floating rate nature of wholesale receivables.*
(b) *The fair value of retained interests in retail securitizations is net of a reserve for expected credit losses totaling $127 million at December 31,2002.*
(c) *Forward benchmark interest rate yield curve plus contractual spread.*
(d) *Represents the rate of return paid to the investors.*

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

Expected static pool net credit losses include actual incurred losses plus projected net credit losses divided by the original balance of the outstandings comprising the securitization pool. The table below displays the expected static pool net credit losses based on securitizations occurring in that year.

Loans securitized in:[a]

Years ended December 31,	**2002**	2001	2000
Retail automotive	**0.4%**	0.4%	1.0%
Residential mortgage	**0.0–24.8%**	0.0–22.9%	0.0–21.7%
Commercial mortgage	**0.0–4.1%**	0.0–2.3%	0.0–3.0%
Commercial investment securities	**0.0–36.8%**	0.0–17.0%	0.0–0.8%

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

Note 5 Finance Receivables and Securitizations *(concluded)*

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

	Total Finance Receivables and Loans		Amount 60 Days or More Past Due		Net Credit Losses	
December 31,(in millions)	**2002**	2001	**2002**	2001	**2002**	2001
Retail automotive	**$ 92,890**	$ 78,071	**$ 637**	$ 358	**$ 844**	$ 575
Residential mortgage	**102,525**	95,076	**4,012**	3,388	**864**	305
Total consumer	**195,415**	173,147	**4,649**	3,746	**1,708**	880
Wholesale	**38,877**	31,807	**88**	64	**(15)**	6
Commercial mortgage	**18,356**	16,503	**350**	250	**8**	1
Other automotive and commercial	**22,994**	25,885	**317**	376	**176**	281
Total commercial	**80,227**	74,195	**755**	690	**169**	288
Total managed portfolio (a)	**275,642**	247,342	**$5,404**	$4,436	**$1,877**	$1,168
Securitized finance receivables and loans	**(123,337)**	(125,735)				
Loans held for sale	**(14,599)**	(10,229)				
Total finance receivables and loans	**$ 137,706**	$111,378				

(a) *Managed portfolio represents finance receivables and loans on the balance sheet or that have been securitized,excluding securitized finance receivables and loans that the Corporation continues to service but with which it has no other continuing involvement.*

Note 6 Inventories

Inventories included the following for ACO (dollars in millions):

December 31,	**2002**	2001
Productive material, work in process,and supplies	**$ 4,915**	$ 5,069
Finished product,service parts,etc.	**6,859**	6,779
Total inventories at FIFO	**11,774**	11,848
Less LIFO allowance	**1,807**	1,814
Total inventories (less allowances)	**$ 9,967**	$10,034

Inventories are stated generally at cost, which is not in excess of market. The cost of approximately 84% 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.

Note 7 Equipment on Operating Leases

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

Automotive, Communications Services, and Other Operations

Equipment on operating leases included in equipment on operating leases and other assets was as follows (dollars in millions):

December 31,	**2002**	2001
Equipment on operating leases	**$11,070**	$ 9,864
Less accumulated depreciation	**(1,922)**	(1,767)
Net book value	**$ 9,148**	$ 8,097
Current	**$ 5,305**	$ 4,524
Noncurrent (Note 11)	**3,843**	3,573
Net book value	**$ 9,148**	$ 8,097

Financing and Insurance Operations

Equipment on operating leases included in investment in leases and other receivables was as follows (dollars in millions):

December 31,	**2002**	2001
Equipment on operating leases	**$33,427**	$36,534
Less accumulated depreciation	**(7,764)**	(8,544)
Net book value	**$25,663**	$27,990
Total consolidated net book value	**$34,811**	$36,087

The lease payments to be received related to equipment on operating leases maturing in each of the five years following December 31, 2002 are as follows: ACO – 2003 – $568 million, 2004 – $526 million, 2005 – $502 million, 2006 – $503 million, 2007 – $409 million, and 2008 and beyond – $1.9 billion; FIO – 2003 – $5.6 billion, 2004 – $4.0 billion, 2005 – $2.1 billion, 2006 – $511 million, and 2007 – $26 million. There are no leases maturing after 2007.

Note 8 Income Taxes

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

Years ended December 31,	2002	2001	2000
U.S. income (loss)	**$ 70**	$(1,190)	$3,019
Foreign income	**2,010**	2,708	4,145
Total	**$2,080**	$ 1,518	$7,164

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

Years ended December 31,	2002	2001	2000
Income taxes estimated to be payable currently			
U.S. federal	**$ 48**	$ 34	$ 45
Foreign	**1,472**	1,347	971
U.S. state and local	**310**	(9)	72
Total payable currently	**1,830**	1,372	1,088
Deferred income tax expense (credit) – net			
U.S. federal	**(98)**	(246)	742
Foreign	**(958)**	(401)	281
U.S. state and local	**(241)**	43	282
Total deferred	**(1,297)**	(604)	1,305
Total income taxes	**$ 533**	$ 768	$2,393

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examination of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ materially from the amount accrued.

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 essentially permanently reinvested, of $11.9 billion at December 31, 2002 and $13.1 billion at December 31, 2001. 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,	2002	2001	2000
Tax at U.S. Federal statutory income tax rate	**$728**	$485	$2,507
Foreign rates other than 35%	**27**	134	78
Taxes on unremitted earnings of subsidiaries	**(13)**	29	–
Tax credits	**(40)**	(50)	(45)
Raytheon settlement (1)	**–**	180	–
ESOP dividend deduction (2)	**(85)**	–	–
Other adjustments	**(84)**	(10)	(147)
Total income tax	**$533**	$768	$2,393

(1) *Non-tax deductible settlement with the Raytheon Company on a purchase price adjustment related to Raytheon's 1997 merger with Hughes Defense.*

(2) *Deduction for dividends paid on GM $1-2/3 par value 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.*

Deferred income tax assets and liabilities for 2002 and 2001 reflect the impact 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,	2002		2001	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Postretirement benefits other than pensions	**$14,945**	**$ –**	$15,057	$ –
Pension and other employee benefit plans	**8,009**	**461**	753	78
Warranties, dealer and customer allowances, claims, and discounts	**6,047**	**–**	4,376	–
Depreciation and amortization	**380**	**4,110**	412	3,671
Tax carryforwards	**4,630**	**–**	3,993	–
Lease transactions	**–**	**4,732**	–	4,426
Miscellaneous foreign	**6,175**	**2,007**	4,465	1,463
Other	**9,483**	**4,365**	8,048	4,948
Subtotal	**49,669**	**15,675**	37,104	14,586
Valuation allowances	**(1,309)**	**–**	(969)	–
Total deferred taxes	**$48,360**	**$15,675**	$36,135	$14,586
Net deferred tax asset	**$32,685**		$21,549	

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

	2002	2001
Current deferred tax assets	**$ 8,890**	$ 5,945
Current deferred tax liabilities	**(5,806)**	(4,877)
Non-current deferred tax assets	**32,759**	22,294
Non-current deferred tax liabilities	**(3,158)**	(1,813)
Total	**$32,685**	$21,549

Of the tax carryforwards, approximately 16% relates to the alternative minimum tax credit (which can be carried forward indefinitely) and approximately 11% relates to the U.S. state net operating loss carryforwards, which will expire in the years 2003–2022 if not used. However, a substantial portion of the U.S. state net operating loss carryforwards will not expire until after the year 2006. The other tax credit carryforwards, consisting primarily of research and experimentation credits, will expire in the years 2019–2022 if not used. The valuation allowance principally relates to U.S. state and certain foreign operating loss carryforwards.

Note 9 Property – Net

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

December 31,	Estimated Useful Lives (Years)	2002	2001
Automotive, Communications Services,and Other Operations			
Land	–	**$ 963**	$ 899
Buildings and land improvements	2–40	**14,259**	13,294
Machinery and equipment	3–30	**44,468**	41,091
Construction in progress	–	**3,134**	4,464
Real estate,plants, and equipment		**62,824**	59,748
Less accumulated depreciation		**(35,907)**	(33,404)
Real estate,plants, and equipment – net		**26,917**	26,344
Special tools – net		**9,235**	8,564
Total property – net		**$ 36,152**	$ 34,908
Financing and Insurance Operations			
Equipment and other	2–10	**$ 2,329**	$ 2,150
Less accumulated depreciation		**(508)**	(618)
Total property – net		**$ 1,821**	$ 1,532
Total consolidated property – net		**$ 37,973**	$ 36,440

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

Years ended December 31,	2002	2001	2000
Automotive, Communications Services, and Other Operations			
Depreciation (Note 7)	**$4,701**	$4,383	$4,368
Amortization of special tools	**2,647**	2,360	2,753
Amortization of intangible assets (Note 10)	**49**	308	308
Total	**$7,397**	$7,051	$7,429
Financing and Insurance Operations			
Depreciation (Note 7)	**$5,522**	$5,684	$5,842
Amortization of intangible assets (Note 10)	**19**	173	140
Total	**$5,541**	$5,857	$5,982

Note 10 Goodwill and Acquired Intangible Assets

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Automotive, Communications Services,and Other Operations			
Amortizing intangible assets:			
Patents and intellectual property rights	$305	$ 1	$ 304
Dealer network and subscriber base	356	165	191
Total	$661	$166	495
Non-amortizing intangible assets:			
License fees – orbital slots			432
Total acquired intangible assets			927
Goodwill			6,992
Prepaid pension asset (Note 14)			6,692
Total intangible assets			$14,611

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Financing and Insurance Operations			
Amortizing intangible assets:			
Customer lists and contracts	$ 67	$24	$ 43
Trademarks and other	39	12	27
Covenants not to compete	18	18	–
Total	$124	$54	$ 70
Total acquired intangible assets			$ 70
Non-amortizing intangible assets:			
Goodwill			3,273
Total intangible assets			$ 3,343
Total consolidated intangible assets			$17,954

Aggregate amortization expense on existing acquired intangible assets was $54 million for the year ended December 31,2002. Estimated amortization expense in each of the next five years is as follows: 2003 – $121 million; 2004 – $78 million; 2005 – $56 million; 2006 – $56 million; and 2007 – $56 million.

The changes in the carrying amounts of goodwill for the year ended December 31, 2002 were as follows (dollars in millions):

	GMNA	GME	Other (1)	Hughes (1)	Total ACO	GMAC	Total GM
Balance as of December 31,2001	$29	$283	$57	$6,440	$6,809	$3,144	$9,953
Goodwill acquired during the period	118	–	–	–	118	96	214
Goodwill written off related to sale of business units	(8)	–	–	–	(8)	(9)	(17)
Effect of foreign currency translation	–	55	–	–	55	42	97
Other	–	–	–	18	18	–	18
Balance as of December 31, 2002	$139	$338	$57	$6,458	$6,992	$3,273	$10,265

(1) *The amount recorded for Hughes excludes GM's purchase accounting adjustments related to GM's acquisition of Hughes Aircraft Company. The carrying value of $57 million in goodwill associated with the purchase is reported in the Other segment. In the fourth quarter of 2002 Hughes,in its stand-alone financial statements,wrote-off $739 million for goodwill impairments at DIRECTV Latin America and DIRECTV Broadband; however, in accordance with SFAS No. 142,GM evaluated the carrying value of goodwill associated with its Hughes Direct-to-Home Broadcast reporting unit in the aggregate and determined that the goodwill was not impaired.*

Note 11 Other Assets

Automotive, Communications Services, and Other Operations

Other assets included the following (dollars in millions):

December 31,	2002	2001
Equipment on operating leases – noncurrent (Note 7)	**$3,843**	$ 3,573
Satellites	**1,080**	1,243
Investments in equity securities	**582**	3,408
U.S. prepaid pension benefit cost (Note 14)	**1**	7,006
Other	**1,817**	2,044
Total other assets	**$7,323**	$17,274

Investments in equity securities at December 31, 2002 and 2001 includes GM's 20% investment in the common stock of FAH, the entity which is the sole shareholder of Fiat Auto S.p.A. (Fiat Auto), acquired for $2.4 billion in 2000. Subsequent to that acquisition, the European market for new vehicles experienced a continued decrease in volumes, and manufacturers have experienced increased pricing and general competitive pressures. Those 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. The review was completed during the third quarter of 2002 and 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 ACO Other segment. This write-down brings the carrying value of GM's investment in FAH from $2.4 billion to $220 million. The carrying value is based on GM's 20% 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.

In connection with the acquisition of 20% of the common stock of FAH, GM did not acquire the ability or right to appoint any directors to the board of Fiat Auto, its controlling stockholder, Fiat S.p.A. (Fiat), or any of the companies in the Fiat group. In fact, no officer, director, or employee of GM or any controlled affiliate of GM serves as a director, officer, or employee of Fiat Auto, Fiat, or any of the companies in the Fiat group. Accordingly, because GM is not able to exercise significant influence over the operating and financial decisions of Fiat Auto, this investment is accounted for using the cost method. (See Note 15 for further discussion of GM's investment alliance with Fiat.)

The balance in Investments in equity securities at December 31, 2002 and 2001 also includes the fair value of investments in equity securities classified as available-for-sale for all periods presented. It is GM's intent to hold these securities for longer than one year. Balances include historical costs of $309 million and $704 million with unrealized gains of $76 million and $311 million and unrealized losses of $24 million and $38 million at December 31, 2002 and 2001, respectively.

Financing and Insurance Operations

Other assets included the following (dollars in millions):

December 31,	2002	2001
Mortgage servicing rights	**$ 2,683**	$ 4,840
Real estate mortgages – held for sale	**14,563**	10,187
Other mortgage-related assets	**2,555**	1,791
Premiums and other insurance receivables	**1,742**	1,501
Deferred policy acquisition costs	**584**	165
Rental car buybacks	**377**	235
Intangible assets (Note 10)	**3,343**	3,206
Property (Note 9)	**1,821**	1,532
Cash deposits held for securitization trusts	**1,481**	1,281
Restricted cash collections for securitization trusts	**1,244**	447
Other	**3,656**	3,022
Total other assets	**$34,049**	$28,207
Reclassification for Consolidated Balance Sheet Presentation		
ACO – other assets,as detailed above	**$ 7,323**	$17,274
FIO – other assets,as detailed above	**34,049**	28,207
Subtotal	**41,372**	45,481
Equipment on operating leases – noncurrent (Note 7)	**(3,843)**	(3,573)
Prepaid assets and other	**2,383**	1,932
Intangible assets (Note 10)	**(3,343)**	(3,206)
Property (Note 9)	**(1,821)**	(1,532)
Total consolidated other assets	**$34,748**	$39,102

Note 12 Accrued Expenses, Other Liabilities, and Deferred Income Taxes

Automotive, Communications Services, and Other Operations

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

December 31,	**2002**	2001
Dealer and customer allowances, claims, and discounts	**$10,388**	$ 8,080
Deferred revenue (principally sales of vehicles to rental companies)	**10,496**	8,331
Policy, product warranty, and recall campaigns	**8,856**	8,177
Payrolls and employee benefits (excludes postemployment)	**4,331**	3,419
Unpaid losses under self-insurance programs	**1,996**	2,016
Taxes	**1,985**	1,052
Interest	**725**	904
Postemployment benefits (including extended disability benefits)	**1,251**	2,218
Other	**9,425**	8,090
Total accrued expenses and other liabilities	**$49,453**	$42,287
Pensions	**53**	49
Postretirement benefits	**3,146**	3,128
Deferred income taxes	**5,113**	2,420
Total accrued expenses, other liabilities, and deferred income taxes	**$57,765**	$47,884
Current	**$40,976**	$34,090
Non-current	**16,789**	13,794
Total accrued expenses, other liabilities,and deferred income taxes	**$57,765**	$47,884

Year ended December 31,	**2002**
Policy, product warranty, and recall campaigns liability	
Beginning balance	**$ 8,177**
Payments	**(4,106)**
Increase in liability (warranties issued during the period)	**4,335**
Adjustments to liability (pre-existing warranties)	**450**
Ending balance	**$ 8,856**

Financing and Insurance Operations

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

December 31,	**2002**	2001
Unpaid insurance losses, loss adjustment expenses, and unearned insurance premiums	**$ 5,637**	$ 4,375
Income taxes	**1,659**	483
Interest	**2,741**	2,428
Interest rate derivatives	**843**	2,942
Payable to securitization trusts	**1,082**	485
Other	**2,414**	526
Total other liabilities	**$14,376**	$11,239
Postretirement benefits	**766**	750
Deferred income taxes	**3,851**	4,270
Total other liabilities and deferred income taxes	**$18,993**	$16,259
Total consolidated accrued expenses and other liabilities	**$63,829**	$53,526
Total deferred income tax liability (Note 8)	**$ 8,964**	$ 6,690

Note 13 Long-Term Debt and Loans Payable

Automotive, Communications Services, and Other Operations

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

	Weighted-Average Interest Rate		*December 31,*	
	2002	2001	**2002**	2001
Long-term debt and loans payable				
Payable within one year				
Current portion of long-term debt (1)	**2.7%**	2.5%	**$ 624**	$ 64
Commercial paper (1)	**–**	2.7%	**–**	129
All other	**5.7%**	3.8%	**892**	2,209
Total loans payable			**1,516**	2,402
Payable beyond one year (1)	**6.0%**	6.6%	**16,625**	10,720
Unamortized discount			**(22)**	(27)
Mark to market adjustment (2)			**48**	33
Total long-term debt and loans payable			**$18,167**	$13,128

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

(2) *Effective January 1,2001, the Corporation began recording its hedged debt at fair market value on the balance sheet due to the implementation of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."*

Long-term debt payable beyond one year at December 31, 2002 included maturities as follows: 2004 – $140 million; 2005 – $1.6 billion; 2006 – $462 million; 2007 – $130 million; 2008 and after – $14.3 billion.

Amounts payable beyond one year after consideration of foreign currency swaps at December 31, 2002 included $1.7 billion in currencies other than the U.S. dollar, primarily the Canadian dollar ($815 million),the Japanese yen ($676 million), and the Brazilian real ($108 million).

At December 31, 2002 and 2001, long-term debt and loans payable for ACO included $15.6 billion and $10.9 billion, respectively, of obligations with fixed interest rates and $2.6 billion and $2.2 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 and cap agreements. The notional amounts of such agreements as of December 31, 2002 for ACO were approximately $1.7 billion relating to swap agreements ($988 million pay fixed and $745 million pay variable). No such cap agreements existed at December 31, 2002. The notional amounts of such agreements as of December 31, 2001 for ACO were approximately $1.7 billion relating to swap agreements ($239 million pay fixed and $1.5 billion pay variable) and $90 million relating to cap agreements.

Note 13 Long-Term Debt and Loans Payable *(concluded)*

GM's ACO business maintains substantial lines of credit with various banks that totaled $11.5 billion at December 31, 2002, of which $2.6 billion represented short-term credit facilities and $8.9 billion represented long-term credit facilities. At December 31, 2001, bank lines of credit totaled $11.0 billion, of which $2.3 billion represented short-term credit facilities and $8.7 billion represented long-term credit facilities. The unused short-term and long-term portions of the credit lines totaled $1.8 billion and $6.6 billion at December 31, 2002, compared with $1.8 billion and $6.7 billion at December 31, 2001. Certain bank lines of credit contain covenants with which the Corporation and applicable subsidiaries were in compliance throughout the year ended December 31, 2002.

Financing and Insurance Operations

Debt was as follows (dollars in millions):

	Weighted-Average Interest Rate		*December 31,*	
	2002	2001	**2002**	2001
Debt				
Payable within one year				
Current portion				
of long-term debt (1)	**3.5%**	4.3%	**$ 27,344**	$ 22,014
Commercial paper (1)	**2.7%**	2.7%	**13,425**	16,620
All other	**3.0%**	3.1%	**25,383**	20,640
Total loans payable			**66,152**	59,274
Payable beyond				
one year (1)	**5.2%**	5.5%	**115,218**	93,717
Unamortized discount			**(717)**	(693)
Mark to market				
adjustment (2)			**3,120**	888
Total debt			**$183,773**	$153,186
Total consolidated notes and loans payable			**$201,940**	$166,314

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

(2) *Effective January 1,2001,the Corporation began recording its hedged debt at fair market value on the balance sheet due to the implementation of SFAS No. 133.*

Debt payable beyond one year at December 31, 2002 included maturities as follows: 2004 – $26.3 billion; 2005 – $16.5 billion; 2006 – $17.9 billion; 2007 – $8.4 billion; 2008 and after – $46.1 billion.

Amounts payable beyond one year after consideration of foreign currency swaps at December 31, 2002 included $12.9 billion in currencies other than the U.S. dollar, primarily the Canadian dollar ($6.0 billion), the euro ($3.3 billion), the U.K. pound sterling ($1.7 billion), and the Australian dollar ($926 million).

At December 31, 2002 and 2001, debt for FIO included $68.9 billion and $65.7 billion, respectively, of obligations with fixed interest rates and $112.4 billion and $87.3 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, 2002 for FIO were approximately $56.4 billion relating to swap agreements ($53.7 billion pay variable and $2.7 billion pay fixed). No such cap and floor agreements existed at December 31, 2002. The notional amounts of such agreements as of December 31, 2001 for FIO were approximately $46.2 billion relating to swap agreements ($41.3 billion pay variable and $4.9 billion pay fixed), $23 million relating to cap agreements, and $73 million relating to floor agreements.

GM's FIO business maintains substantial lines of credit with various banks that totaled $53.0 billion at December 31, 2002, of which $17.8 billion represented short-term credit facilities and $35.2 billion represented long-term credit facilities. At December 31, 2001, bank lines of credit totaled $49.8 billion, of which $19.0 billion represented short-term credit facilities and $30.8 billion represented long-term credit facilities. The unused short-term and long-term portions of the credit lines totaled $7.4 billion and $34.7 billion at December 31, 2002 compared with $8.2 billion and $30.7 billion at December 31, 2001. Certain bank lines of credit contain covenants with which the Corporation and applicable subsidiaries were in compliance throughout the year ended December 31, 2002.

Note 14 Pensions and Other Postretirement Benefits

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

Pension plan assets are primarily invested in equity and fixed income securities, U.S. Government obligations, commingled pension trust funds, insurance contracts, GM $1-2/3 par value common stock (valued at December 31, 2002 at $30 million), and GM Class H common stock (valued at December 31, 2002 at $1.6 billion).

GM's funding policy with respect to its qualified pension plans is to contribute annually not less than the minimum required by applicable law and regulations. GM made pension contributions to the U.S. hourly and salary plans of $4.8 billion in 2002, no pension contributions in 2001, and contributions of $5.0 billion in 2000 (consisting entirely of GM Class H common stock contributed during the second quarter of 2000). In addition, GM made pension contributions to all other U.S. plans of $106 million, $99 million, and $69 million in 2002, 2001, and 2000, respectively.

Additionally, GM maintains hourly and salary 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. Postretirement plan assets in GM's hourly VEBA trust are invested primarily in equity securities, fixed income securities, and GM Class H common stock (valued at December 31, 2002 at $200 million).

Note 14 Pensions and Other Postretirement Benefits

(continued)

Certain of the Corporation's non-U.S. subsidiaries have postretirement plans, although most participants are covered by government-sponsored or administered programs. The cost of such programs generally is not significant to GM.

	U.S. Plans Pension Benefits		Non-U.S. Plans Pension Benefits		Other Benefits	
(Dollars in millions)	**2002**	2001	**2002**	2001	**2002**	2001
Change in benefit obligations						
Benefit obligation at beginning of year	**$ 76,383**	$76,131	**$ 9,950**	$ 9,911	**$ 52,489**	$ 49,889
Service cost	**885**	901	**194**	176	**506**	480
Interest cost	**5,307**	5,294	**700**	638	**3,689**	3,733
Plan participants' contributions	**25**	25	**25**	24	**55**	50
Amendments	**83**	33	**31**	2	**–**	–
Actuarial losses	**3,678**	152	**1,040**	346	**3,802**	1,582
Benefits paid	**(6,463)**	(6,321)	**(641)**	(549)	**(3,392)**	(3,173)
Curtailments, settlements, and other	**216**	168	**830**	(598)	**80**	(72)
Benefit obligation at end of year	**80,114**	76,383	**12,129**	9,950	**57,229**	52,489
Change in plan assets						
Fair value of plan assets at beginning of year	**67,322**	77,866	**6,340**	7,397	**4,944**	6,724
Actual return on plan assets	**(4,933)**	(4,444)	**(329)**	(391)	**(150)**	(479)
Employer contributions	**4,906**	99	**258**	224	**1,000**	–
Plan participants' contributions	**25**	25	**25**	24	**–**	–
Benefits paid	**(6,463)**	(6,321)	**(641)**	(549)	**–**	(1,300)
Curtailments, settlements, and other	**3**	97	**290**	(365)	**–**	–
Fair value of plan assets at end of year	**60,860**	67,322	**5,943**	6,340	**5,794**	4,945
Funded status	**(19,254)**	(9,061)	**(6,186)**	(3,610)	**(51,435)**	(47,544)
Unrecognized actuarial loss	**36,212**	21,207	**3,802**	1,808	**13,540**	8,902
Unrecognized prior service cost	**6,002**	7,174	**691**	740	**(292)**	249
Unrecognized transition obligation	**–**	–	**46**	54	**–**	–
Net amount recognized	**$ 22,960**	$19,320	**$ (1,647)**	$(1,008)	**$(38,187)**	$(38,393)
Amounts recognized in the consolidated balance sheets consist of:						
Prepaid benefit cost	**$ 1**	$ 7,006	**$ 218**	$ 521	**$ –**	$ –
Accrued benefit liability	**(17,237)**	(7,617)	**(5,525)**	(3,222)	**(38,187)**	(38,393)
Intangible asset	**6,002**	5,625	**690**	606	**–**	–
Accumulated other comprehensive income	**34,194**	14,306	**2,970**	1,087	**–**	–
Net amount recognized	**$ 22,960**	$19,320	**$ (1,647)**	$(1,008)	**$(38,187)**	$(38,393)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $92 billion, $89 billion, and $66 billion, respectively, as of December 31, 2002, and $59 billion, $59 billion, and $48 billion, respectively, as of December 31, 2001.

(Dollars in millions)	U.S. Plans Pension Benefits			Non-U.S. Plans Pension Benefits			Other Benefits		
Years ended December 31,	**2002**	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Components of expense									
Service cost	**$ 885**	$ 901	$ 900	**$ 194**	$ 176	$ 177	**$ 506**	$ 480	$ 448
Interest cost	**5,307**	5,294	5,425	**700**	638	630	**3,688**	3,733	3,346
Expected return on plan assets	**(7,133)**	(7,521)	(7,666)	**(580)**	(605)	(578)	**(390)**	(542)	(650)
Amortization of prior service cost	**1,255**	1,325	1,416	**93**	93	97	**(14)**	(45)	(42)
Amortization of transition obligation / (asset)	**–**	–	(48)	**25**	3	(17)	**–**	–	–
Recognized net actuarial loss / (gain)	**733**	82	8	**62**	(1)	2	**320**	96	70
Curtailments, settlements, and other	**213**	65	235	**51**	100	24	**–**	–	–
Net expense	**$ 1,260**	$ 146	$ 270	**$ 545**	$ 404	$ 335	**$4,110**	$3,722	$3,172
Weighted-average assumptions									
Discount rate	**6.75%**	7.25%	7.25%	**6.23%**	6.81%	7.06%	**6.76%**	7.25%	7.74%
Expected return on plan assets	**10.0%**	10.0%	10.0%	**8.8%**	8.9%	9.0%	**7.9%**	7.9%	8.1%
Rate of compensation increase	**5.0%**	5.0%	5.0%	**3.4%**	3.8%	4.0%	**4.3%**	4.7%	4.3%

Note 14 Pensions and Other Postretirement Benefits *(concluded)*

For measurement purposes, an approximate 7.2% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2003. The rate was assumed to decrease on a linear basis to 5.0% through 2009 and remain at that level thereafter.

A one percentage point increase in the assumed health care trend rate would have increased the Accumulated Postretirement Benefit Obligation (APBO) by $6.3 billion at December 31, 2002 and increased the aggregate service and interest cost components of non-pension postretirement benefit expense for 2002 by $523 million. A one percentage point decrease would have decreased the APBO by $5.3 billion and decreased the aggregate service and interest cost components of non-pension postretirement benefit expense for 2002 by $416 million.

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 high-quality fixed-income debt instruments.

GM's expected return on assets assumption is derived from a detailed periodic study conducted by GM's actuaries and GM's asset management group. The study includes a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the respective plans to determine the average rate of earnings expected on the funds invested to provide for the pension plan benefits. While the study gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term, prospective rate. Based on its recent study, GM is revising 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 following table illustrates the sensitivity to a change in certain assumptions for U.S. pension plans (as of December 31, 2002 the Projected Benefit Obligation (PBO) for U.S. pension plans was $80.1 billion and the minimum pension liability charged to equity with respect to U.S. pension plans was $21.2 billion net of tax):

Change in Assumption	Impact on 2003 Pre-Tax Pension Expense	Impact on December 31, 2002 PBO	Impact on December 31, 2002 Equity (Net of Tax)
25 basis point decrease in discount rate	+$120 million	+$1.9 billion	–$1.1 billion
25 basis point increase in discount rate	–$120 million	–$1.8 billion	+$1.1 billion
25 basis point decrease in expected return on assets	+$170 million	–	–
25 basis point increase in expected return on assets	–$170 million	–	–

These changes in assumptions would have no impact on GM's funding requirements.

The following table illustrates the sensitivity to a change in the discount rate assumption related to GM's U.S. OPEB (the U.S. APBO was a significant portion of GM's worldwide APBO of $57.2 billion as of December 31, 2002):

Change in Assumption	Impact on 2003 Pre-Tax OPEB Expense	Impact on December 31,2002 APBO
25 basis point decrease in discount rate	+$150 million	+$1.6 billion
25 basis point increase in discount rate	–$140 million	–$1.5 billion

Note 15 Commitments and Contingent Matters

Commitments

GM had the following minimum commitments under noncancelable operating leases having remaining terms in excess of one year, primarily for property: 2003 – $822 million; 2004 – $685 million; 2005 – $533 million; 2006 – $526 million; 2007 – $405 million; and $1.4 billion in 2008 and thereafter. Certain of these minimum commitments fund the obligations of non-consolidated SPEs. Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were $985 million, $849 million, and $861 million in 2002, 2001, and 2000, respectively.

GM sponsors a credit card program, entitled the GM Card program, that offers rebates that can be applied primarily against the purchase or lease of GM vehicles. The amount of rebates available to qualified cardholders (net of deferred program income) was $4.0 billion, $3.9 billion, and $3.8 billion at December 31, 2002, 2001, and 2000, respectively.

At December 31, 2002, GM had unconditionally guaranteed approximately $45 million of the debt of unaffiliated suppliers. The debt is fully collateralized with supplier company assets and accordingly no liability has been recorded. In addition, GM has entered into agreements with certain suppliers that may require GM to make payments based on changes in the suppliers' costs. GM's maximum exposure under such agreements is approximately $38 million. No liabilities are recorded with respect to such agreements.

GM has guaranteed a minimum value of $1.6 billion upon expiration of various leases or approximately 87% of appraised fair value at such time. These leases have terms of up to six years and many contain renewal options. At expiration, the fair values of all such properties are expected to fully mitigate GM's obligations under these guarantees. No liabilities are recorded with respect to these guarantees.

The Corporation has guaranteed certain amounts related to the securitization of mortgage loans. In addition, GMAC issues financial standby letters of credit as part of their financing and mortgage operations. At December 31, 2002, approximately $50 million was recorded with respect to these guarantees,the maximum exposure under which is approximately $2.7 billion.

In addition to guarantees, GM has entered into agreements indemnifying certain parties with respect to environmental conditions pertaining to ongoing or sold GM properties. Due to the

Note 15 Commitments and Contingent Matters
(concluded)

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.

In connection with the 2000 sale by Hughes of its satellite systems manufacturing businesses to The Boeing Company (Boeing), the stock purchase agreement provides for potential adjustment to the purchase price based upon the final closing date financial statements of the satellite systems manufacturing businesses. The stock purchase agreement also provides for a dispute resolution process to resolve any disputes that arise in determining the purchase price adjustment. Based upon the final closing date financial statements of the satellite systems manufacturing businesses that were prepared by Hughes, Boeing is owed a purchase price adjustment of $164 million plus interest at a rate of 9.5% from the date of sale, the total amount of which has been provided for in Hughes' consolidated financial statements. However, Boeing has submitted additional proposed adjustments, which are being resolved through the dispute resolution process. As of December 31, 2002,approximately $670 million of proposed adjustments remain unresolved. Hughes is contesting the matter in the arbitration process, which will result in a binding decision unless the matter is otherwise settled. Although Hughes believes it has adequately provided for the disposition of this matter, the impact of its disposition cannot be determined at this time. It is possible that the final resolution of this matter could result in Hughes making a cash payment to Boeing that would be material to Hughes' consolidated results of operations and financial position.

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, 2002. After discussion with counsel, it is the opinion of management that such liability is not expected to have a material adverse effect on the Corporation's consolidated financial condition or results of operations.

Investment in Fiat Auto Holdings

On March 13, 2000, GM entered into a contract (the "Master Agreement") with Fiat under which GM acquired 20% of FAH. A copy of the Master Agreement has been made public in filings with the United States Securities and Exchange Commission (SEC). Fiat continues to hold the other 80% of FAH through various subsidiaries. FAH is the sole stockholder of Fiat Auto, which owns and operates the global automotive group of Fiat (other than the Ferrari, Maserati, and Iveco businesses, which are held separately by Fiat). Additionally, GM and Fiat Auto have formed joint ventures relating to powertrain and purchasing and initiated other collaborative activities.

The Master Agreement provides that, from January 24, 2004 to July 24, 2009, Fiat has the right to exercise a put option (the "Put") to require GM to purchase Fiat's FAH shares at fair market value. Whether and when Fiat may seek to exercise the Put is unknown. It is uncertain as to whether the Put would ever be exercised due to the possibilities that it could be affected by subsequent agreements of the companies, it could become non-exercisable under other provisions of the Master Agreement, it could be rendered unenforceable by reason of actions Fiat may have taken, or Fiat may choose to not exercise the Put.

If and when the Put is implemented, the fair market value of FAH shares would be determined by investment banks under procedures set forth in the Master Agreement. Until any such valuation is completed, the amount, if any, that GM might have to pay for Fiat's FAH shares is not quantifiable.

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

Unless FAH or Fiat Auto were subject to liquidation or insolvency, FAH's consolidated financial statements would be required for financial reporting purposes to be consolidated with those of GM. Any indebtedness, losses, and capital needs of FAH and Fiat Auto after their acquisition by GM are not presently determinable, but they could have a material adverse effect on GM. While GM and Fiat have discussed potential alternatives to the Master Agreement, no changes to it have been agreed upon.

Note 16 Preferred Securities of Subsidiary Trust

On April 2, 2001,GM redeemed the Series G Trust's sole assets, causing the Series G Trust to redeem the approximately 5 million outstanding Series G 9.87% Trust Originated Preferred Securities[SM] (TOPrS[SM]). The Series G TOPrS were redeemed at a price of $25 per share plus accrued and unpaid dividends of $0.42 per share. Also on April 2, 2001, GM redeemed the approximately 5 million outstanding Series G depositary shares, each of which represents a one-fourth interest in a GM Series G 9.12% Preference Share, at a price of $25 per share plus accrued and unpaid dividends of $0.59 per share. The securities together had a total face value of approximately $252 million.

Note 17 Stockholders' Equity

The following table presents changes in capital stock for the period from January 1, 2000 to December 31, 2002 (dollars in millions):

	Common Stocks		Total Capital Stock
	$1-2/3 par value	Class H	
Balance at January 1, 2000	$1,033	$14	$1,047
Shares reacquired	(184)	–	(184)
Shares issued	65	74	139
Balance at December 31, 2000	914	88	1,002
Shares reacquired	–	–	–
Shares issued	18	–	18
Balance at December 31, 2001	932	88	1,020
Shares reacquired	–	–	–
Shares issued	4	8	12
Balance at December 31, 2002	$936	$96	$1,032

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. GM immediately invested the $1.5 billion received from AOL into shares of Hughes Series A Preferred Stock designed to correspond to the financial terms of the preference stock. Dividends on the Hughes Series A Preferred Stock were payable to GM quarterly at an annual rate of 6.25%. The underwriting discount on the Hughes Series A Preferred Stock was amortized over three years.

The original terms of Hughes Series A Preferred Stock required Hughes to redeem the Series A preferred stock through a cash payment to GM immediately upon the conversion of the preference stock held by AOL into shares of GM Class H common stock. Simultaneous with GM's receipt of the cash redemption proceeds, GM was committed to make a capital contribution to Hughes of the same amount. In connection with this capital contribution, the denominator of the fraction used in the computation of the Available Separate Consolidated Net Income (ASCNI) of Hughes was to be increased by the corresponding number of shares of GM Class H common stock issued. Accordingly, upon conversion of the GM Series H 6.25% Automatically Convertible Preference Stock into GM Class H common stock, both the numerator and denominator used in the computation of ASCNI increased by the amount of the GM Class H common stock issued.

On June 24, 2002, prior to the conversion of the preference stock on such date, and prior to the time that the Hughes Series A Preferred Stock would have been redeemed on such date, GM, as approved by the GM and Hughes Boards of Directors, contributed the Hughes Series A Preferred Stock to Hughes. In connection with the contribution of the Hughes Series A Preferred Stock to Hughes, Hughes issued to GM shares of Hughes Series B Convertible Preferred Stock. The Hughes Series B Convertible Preferred Stock does not accrue dividends and is not redeemable. The Hughes Series B Convertible Preferred Stock does not affect the net income of Hughes or the allocation of the earnings per share and amounts available for the payment of dividends on the GM Class H common stock.

This contribution by GM had the same effect with respect to the numerator and the denominator of the fraction used in the computation of ASCNI of Hughes that a cash redemption by Hughes of its Series A preferred stock and a cash contribution by GM of the redemption amount would have had.

The Hughes Series B Convertible Preferred Stock may be converted to Hughes Class B common stock at the option of GM any time after June 24, 2003.

Common Stocks

During the second quarter of 2000, GM completed an exchange offer in which GM repurchased 86 million shares of GM $1-2/3 par value common stock and issued 92 million shares of GM Class H common stock. In addition, on June 12, 2000, GM contributed approximately 54 million shares and approximately 7 million shares of GM Class H common stock to the U.S. Hourly-Rate Employees Pension Plan and VEBA trust, respectively. The total value of the contributions was approximately $5.6 billion. As a result of the exchange offer and employee benefit plan contributions, the economic interest in Hughes attributable to GM $1-2/3 par value common stock decreased from approximately 62% to approximately 30% and the economic interest in Hughes attributable to GM Class H common stock increased from approximately 38% to 70% on a fully diluted basis.

On June 6, 2000, the GM Board declared a three-for-one stock split of the GM Class H common stock. The stock split was in the form of a 200% stock dividend, paid on June 30, 2000 to GM Class H common stockholders of record on June 13, 2000. All GM Class H common stock per share amounts and numbers of shares for all periods presented have been adjusted to reflect the stock split. Furthermore, as a result of this stock split,the voting and liquidation rights of the GM Class H common stock were reduced from 0.6 votes per share and 0.6 liquidation units per share to 0.2 votes per share and 0.2 liquidation units per share in order to avoid dilution in the aggregate voting or liquidation rights of any class. The voting and liquidation rights of the GM $1-2/3 par value common stock were not changed. The voting and liquidation rights of GM $1-2/3 par value common stock are one vote per share and one liquidation unit per share.

Note 17 Stockholders' Equity *(concluded)*

On July 24, 2000, Fiat purchased for $2.4 billion approximately 32 million shares of GM $1-2/3 par value common stock, or approximately 5.4% of GM's $1-2/3 par value common stock outstanding as of that date. Fiat sold its entire stake in GM for $1.2 billion in December 2002. (See Notes 11 and 15.)

The liquidation rights of the GM $1-2/3 par value and GM Class H common stocks are subject to certain adjustments if outstanding common stock is subdivided, by stock split or otherwise, or if shares of one class of common stock are issued as a dividend to holders of another class of common stock. Holders of GM Class H common stock have no direct rights in the equity or assets of Hughes, but rather have rights in the equity and assets of GM (which includes 100% of the stock of Hughes).

The outstanding shares of GM Class H common stock may be recapitalized as shares of GM $1-2/3 par value common stock at any time after December 31, 2002, at the sole discretion of the GM Board, or automatically, if at any time the Corporation should sell, liquidate, or otherwise dispose of 80% or more of the business of Hughes, based on the fair market value of the assets, both tangible and intangible, of Hughes as of the date that such proposed transaction is approved by the GM Board. In the event of any recapitalization, all outstanding shares of GM Class H common stock will automatically be converted into GM's $1-2/3 par value common stock at an exchange rate that would provide GM Class H common stockholders with that number of shares of GM $1-2/3 par value common stock that would have a value equal to 120% of the value of their GM Class H common stock, on such date. A recapitalization of the type described in the prior sentence would occur if any of the triggering events took place unless the holders of GM common stock (including the holders of GM $1-2/3 par value common stock and holders of the GM Class H common stock voting separately as individual classes) vote to approve an alternative proposal from the GM Board.

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,		**2002**			2001			2000	
	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	**$ 117**	**$ (18)**	**$ 135**	$ (565)	$ (148)	$ (417)	$ (741)	$(272)	$(469)
Unrealized (loss) gain on securities:									
Unrealized holding (loss) gain	**(664)**	**(232)**	**(432)**	(41)	(26)	(15)	(481)	(179)	(302)
Reclassification adjustment	**448**	**156**	**292**	(81)	(27)	(54)	(175)	(62)	(113)
Net unrealized (loss) gain	**(216)**	**(76)**	**(140)**	(122)	(53)	(69)	(656)	(241)	(415)
Minimum pension liability adjustment	**(21,771)**	**(8,137)**	**(13,634)**	(15,320)	(5,784)	(9,536)	118	42	76
Net unrealized gain (loss) on derivatives	**151**	**49**	**102**	(387)	(80)	(307)	–	–	–
Other comprehensive (loss) income	**$(21,719)**	**$(8,182)**	**$(13,537)**	$(16,394)	$(6,065)	$(10,329)	$(1,279)	$(471)	$(808)

Note 18 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. All GM Class H common stock per share amounts and numbers of shares for 2000 have been adjusted to reflect the three-for-one stock split, in the form of a 200% stock dividend, paid on June 30, 2000.

The attribution of earnings to each class of GM common stock was as follows (dollars in millions):

Years ended December 31,	**2002**	2001	2000
Earnings attributable to common stocks:			
Earnings attributable to $1-2/3 par value	**$1,885**	$ 984	$3,957
Earnings (losses) attributable to Class H	**$ (196)**	$(482)	$ 385

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

Note 18 Earnings per Share Attributable to Common Stocks *(continued)*

In 2001 and prior years, losses attributable to GM Class H common stock represent the ASCNI of Hughes, excluding the effects of GM purchase accounting adjustments arising from GM's acquisition of Hughes Aircraft Company, reduced by the amount of dividends accrued on the Series A Preferred Stock of Hughes (as an equivalent measure of the effect that GM's payment of dividends on the GM Series H 6.25% Automatically Convertible Preference Stock would have if paid by Hughes). Beginning in 2002, losses attributable to GM Class H common stock were not adjusted for the effects of GM purchase accounting, mentioned above, because the related goodwill is no longer being amortized in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets."

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 (920 million, 876 million, and 681 million for 2002, 2001, and 2000, respectively) 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 1.3 billion during 2002,2001, and 2000.

In addition, the denominator used in determining the ASCNI of Hughes may be adjusted on occasion as deemed appropriate by the GM Board to reflect subdivisions or combinations of the GM Class H common stock, certain transfers of capital to or from Hughes, the contribution of shares of capital stock of GM to or for the benefit of Hughes employees,and the retirement of GM Class H common stock purchased by Hughes. The GM Board's discretion to make such adjustments is limited by criteria set forth in GM's Restated Certificate of Incorporation.

Shares of GM Class H common stock delivered by GM in connection with the award of such shares to and the exercise of stock options by employees of Hughes increase the numerator and denominator of the fraction referred to above. On occasion, in anticipation of exercises of stock options, Hughes purchases GM Class H common stock from the open market. Upon purchase, these shares are retired and therefore decrease the numerator and denominator of the fraction referred to above.

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

	$1-2/3 Par Value Common Stock			Class H Common Stock		
	Income	Shares	Per Share Amount	ASCNI	Shares	Per Share Amount
Year ended December 31, 2002						
Income (loss)	**$1,900**			**$(164)**		
Less: Dividends on preference stocks	**15**			**32**		
Basic EPS						
Income (loss) attributable to common stocks	**$1,885**	**560**	**$3.37**	**$(196)**	**920**	**$(0.21)**
Effect of Dilutive Securities						
Assumed exercise of dilutive stock options	**–**	**2**		**–**	**–**	
Diluted EPS						
Adjusted income (loss) attributable to common stocks	**$1,885**	**562**	**$3.35**	**$(196)**	**920**	**$(0.21)**
Year ended December 31, 2001						
Income (loss)	$1,018			$(417)		
Less: Dividends on preference stocks	34			65		
Basic EPS						
Income (loss) attributable to common stocks	$ 984	551	$1.78	$(482)	876	$(0.55)
Effect of Dilutive Securities						
Assumed exercise of dilutive stock options	–	5		–	–	
Diluted EPS						
Adjusted income (loss) attributable to common stocks	$ 984	556	$1.77	$(482)	876	$(0.55)
Year ended December 31, 2000						
Income	$4,016			$ 436		
Less: Dividends on preference stocks	59			51		
Basic EPS						
Income attributable to common stocks	$3,957	582	$6.80	$ 385	681	$ 0.56
Effect of Dilutive Securities						
Assumed exercise of dilutive stock options	(7)	9		7	27	
Diluted EPS						
Adjusted income attributable to common stocks	$3,950	591	$6.68	$ 392	708	$ 0.55

Note 18 Earnings per Share Attributable to Common Stocks *(concluded)*

Certain stock options were not included in the computation of diluted earnings per share for the periods presented since the options' underlying exercise prices were greater than the average market prices of the GM $1-2/3 par value common stock and GM Class H common stock. In addition, for periods in which there was an adjusted loss attributable to common stocks, options to purchase shares of GM $1-2/3 par value common stock and GM Class H common stock with underlying exercise prices less than the average market prices were outstanding, but were excluded from the calculations of diluted loss per share, as inclusion of these securities would have been antidilutive to the net loss per share.

Note 19 Derivative Financial Instruments and Risk Management

Effective January 1, 2001,GM adopted SFAS No. 133, as amended and interpreted, which requires that all derivatives be recorded at fair value on the balance sheet and establishes criteria for designation and effectiveness of derivative transactions for which hedge accounting is applied. GM assesses the initial and ongoing effectiveness of its hedging relationships in accordance with its documented policies. As a result of the adoption of this standard as of January 1, 2001, GM recorded a transition adjustment representing a one-time after-tax charge to income totaling $23 million, as well as an after-tax unrealized gain of $4 million to other comprehensive income.

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

Cash Flow Hedges

GM uses financial instruments designated as cash flow hedges to hedge the Corporation's exposure to foreign currency exchange risk associated with buying, selling, and financing in currencies other than the local currencies in which it operates, and its exposure to commodity price risk associated with changes in prices of commodities used in its automotive business, primarily non-ferrous metals used in the manufacture of automotive components.

For transactions denominated in foreign currencies, GM typically hedges forecasted and firm commitment exposure up to one year in the future. For commodities, GM hedges exposures up to six years in the future. For the years ended December 31, 2002 and December 31, 2001, hedge ineffectiveness associated with instruments designated as cash flow hedges increased cost of sales and other expenses by $0.1 million and $5 million,respectively; changes in time value of the instruments (which are excluded from the assessment of hedge effectiveness and exclude transition adjustment) increased cost of sales and other expenses by $19 million and $53 million, respectively. Derivative gains and losses included in other comprehensive income are reclassified into earnings at the time that the associated hedged transactions impact the income statement. For the year ended December 31, 2002, net derivative losses of $58 million were reclassified to cost of sales and other expenses. For the year ended December 31, 2001, net derivative gains of $2 million were likewise reclassified. These net losses/gains were offset by net gains/losses on the transactions being hedged. Approximately $6 million of net derivative losses included in other comprehensive income at December 31, 2002 will be reclassified into earnings within 12 months from that date. During 2002, there were net losses of approximately $4 million which were reclassified into earnings as a result of discontinuance of certain cash flow hedges.

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, 2002, hedge ineffectiveness associated with instruments designated as fair value hedges, primarily due to hedging of MSRs, decreased selling, general, and administrative expenses by $458 million and increased selling, general, and administrative expenses by $218 million in 2001. Changes in time value of the instruments (which are excluded from the assessment of hedge effectiveness) decreased selling, general, and administrative expenses by $212 million in 2002 and $46 million in 2001.

Undesignated Derivative Instruments

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

Note 20 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,	**2002**		2001	
	Book Value	**Fair Value**	Book Value	Fair Value
Automotive, Communications Services, and Other Operations				
Assets				
Other assets (1)	**$ 752**	**$ 582**	$ 4,076	$ 4,040
Derivative assets	**$ 364**	**$ 364**	$ 187	$ 187
Liabilities				
Long-term debt (2)	**$ 16,651**	**$ 15,595**	$ 10,726	$ 11,817
Other liabilities (1)	**$ 531**	**$ 580**	$ 487	$ 510
Derivative liabilities	**$ 298**	**$ 298**	$ 281	$ 281
Financing and Insurance Operations				
Assets				
Finance receivables – net (3)	**$134,647**	**$135,890**	$109,211	$110,877
Derivative assets	**$ 6,369**	**$ 6,369**	$ 1,673	$ 1,673
Liabilities				
Debt (2)	**$183,733**	**$184,837**	$153,186	$153,680
Derivative liabilities	**$ 843**	**$ 843**	$ 2,942	$ 2,942

(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), ACO loans payable, and FIO debt payable within one year for the periods ending December 31, 2002 and 2001.

Note 21 Stock Incentive Plans

Stock-Based Compensation

GM applied the intrinsic value method of recognition and measurement under Accounting Principles Board Opinion No. 25 to its stock options and other stock-based employee compensation awards. Accordingly, no compensation expense related to employee stock options is reflected in net income,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 for GM's pro forma net income, earnings attributable to common stocks, and basic and diluted earnings per share attributable to common stocks if compensation cost for all outstanding and unvested stock option and other stock-based employee compensation awards had been determined based on the fair value at the grant date, consistent with the method prescribed by SFAS No. 123. The effects of the Delphi spin-off adjustment on the number of options and related exercise prices, as described below, are considered, under SFAS No. 123,to be modifications of the terms of the outstanding options. Accordingly, the pro forma disclosure includes compensation cost for the incremental fair value, under SFAS No. 123, resulting from such modifications. The pro forma amounts for compensation cost are not indicative of the effects on operating results for future periods.

GM's stock incentive plans consist of the General Motors 2002 Stock Incentive Plan, formerly the 1997 General Motors Amended Stock Incentive Plan (the "GMSIP"), the Hughes Electronics Corporation Incentive Plan (the "Hughes Plan"), and the General Motors 1998 Salaried Stock Option Plan (the "GMSSOP"). The GMSIP is administered by the Executive Compensation Committee of the GM Board of Directors. The GMSSOP is administered by the Vice President of Global Human Resources. The Hughes Plan is administered by the Executive Compensation Committee of the Board of Directors of Hughes.

Under the GMSIP, as of December 31, 2002, 28 million shares of GM $1-2/3 par value common stocks may be granted from June 1, 2002 through May 31, 2007, of which approximately 28 million were available for grants at December 31, 2002. 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 Hughes Plan, Hughes may grant shares, rights, or options to acquire up to 159 million shares of GM Class H common stock through December 31, 2002, of which 5 million were available for grants at December 31, 2002. Option prices are 100% of fair market value on the dates of grant, and the options generally vest over two to five years and expire 10 years from the dates of grant, subject to earlier termination under certain conditions.

Note 21 Stock Incentive Plans *(continued)*

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 6 million shares of GM \$1-2/3 par value common stock were available for grants at December 31, 2002. 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.

Plan Category	(Column a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(Column b) Weighted-average exercise price of outstanding options, warrants, and rights	(Column c) Number of securities remaining available for future issuance under equity compensation plans (excluding reflected in Column a)
Equity compensation plans approved by security holders:			
GMSIP	65,822,160	\$56.45	28,108,941
GMSIP and Hughes Plan	95,195,978	\$22.99	4,645,893
Equity compensation plans not approved by security holders (1):			
GMSSOP	18,957,199	\$59.91	6,000,000
Total	179,975,337	\$39.11	38,754,834

(1) *All equity compensation plans except the GMSSOP were approved by the shareholders. The GMSSOP was adopted by the Board of Directors in 1998 and expires December 31, 2007. The purpose of the plan 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:

	2002			2001			2000		
	GM SIP	**Hughes Plan**	**GM SSOP**	GM SIP	Hughes Plan	GM SSOP	GM SIP	Hughes Plan	GM SSOP
Interest rate	**4.3%**	**4.7%**	**4.3%**	4.6%	5.1%	4.6%	6.4%	6.5%	6.5%
Expected life (years)	**5.0**	**7.0**	**5.0**	5.0	7.0	5.0	5.0	6.9	5.0
Expected volatility	**34.6%**	**51.6%**	**34.6%**	31.2%	51.3%	31.1%	27.8%	42.1%	27.6%
Dividend yield	**4.0%**	**–**	**4.0%**	3.8%	–	3.8%	2.7%	–	2.7%

Class H common stock share amounts and numbers of shares for 2000 have been adjusted to reflect the three-for-one stock split in the form of a 200% stock dividend paid on June 30, 2000.

Changes in the status of outstanding options were as follows:

	GMSIP \$1-2/3 Par Value Common		GMSIP and Hughes Plan Class H Common		GMSSOP \$1-2/3 Par Value Common	
	Shares under Option	Weighted-Average Exercise Price	Shares under Option	Weighted-Average Exercise Price	Shares under Option	Weighted-Average Exercise Price
Options outstanding at January 1, 2000	39,009,147	\$51.30	50,265,246	\$13.10	8,062,620	\$58.73
Granted	11,231,004	\$74.14	35,641,517	\$37.05	4,182,955	\$75.50
Exercised	6,831,078	\$42.95	6,545,206	\$11.45	1,635,248	\$46.59
Terminated	283,967	\$64.48	11,249,673	\$30.96	242,863	\$63.46
Options outstanding at December 31, 2000	43,125,106	\$58.49	68,111,884	\$22.76	10,367,464	\$67.30
Granted	13,141,725	\$52.49	38,029,467	\$23.34	3,902,862	\$52.35
Exercised	1,682,731	\$39.66	2,068,506	\$11.25	37,655	\$46.59
Terminated	1,641,974	\$61.08	6,565,541	\$27.66	154,690	\$66.27
Options outstanding at December 31, 2001	52,942,126	\$57.52	97,507,304	\$22.90	14,077,981	\$63.22
Granted	17,294,937	\$50.53	290,000	\$15.71	5,015,553	\$50.46
Exercised	2,729,511	\$40.46	642,263	\$12.80	71,663	\$46.59
Terminated	1,685,392	\$55.28	1,959,063	\$20.77	64,672	\$62.39
Options outstanding at December 31, 2002	**65,822,160**	**\$56.45**	**95,195,978**	**\$22.99**	**18,957,199**	**\$59.91**
Options exercisable at December 31, 2000	21,985,984	\$47.57	29,640,511	\$12.93	2,411,586	\$46.59
December 31, 2001	29,890,175	\$53.93	38,333,135	\$15.75	6,148,695	\$61.97
December 31, 2002	**38,094,946**	**\$58.18**	**56,222,452**	**\$19.40**	**10,098,994**	**\$67.48**

Note 21 Stock Incentive Plans *(concluded)*

The following table summarizes information about GM's stock option plans at December 31, 2002:

Range of Exercise Prices	Options Outstanding	Weighted-Avg. Remaining Contractual Life (yrs.)	Weighted-Avg. Exercise Price	Options Exercisable	Weighted-Avg. Exercise Price
GMSIP $1-2/3 Par Value Common					
$21.00 to $39.99	1,113,007	2.3	$32.40	1,041,527	$32.13
40.00 to 49.99	15,551,259	4.2	$44.93	15,444,416	$44.93
50.00 to 59.99	28,560,745	8.6	$51.42	4,358,047	$52.57
60.00 to 83.50	20,597,149	6.5	$73.40	17,250,956	$73.03
$21.00 to $83.50	65,822,160	6.8	$56.45	38,094,946	$58.18
GMSIP and Hughes Plan Class H Common					
$ 3.00 to $ 8.99	1,600,977	1.8	$ 7.18	1,600,977	$ 7.18
9.00 to 16.99	29,469,411	5.0	$12.60	28,487,187	$12.54
17.00 to 24.99	22,917,549	7.6	$19.57	11,412,872	$19.10
25.00 to 32.99	17,519,754	8.0	$27.80	7,000,140	$28.34
33.00 to 41.99	23,688,287	7.3	$37.09	7,721,276	$40.33
$ 3.00 to $41.99	95,195,978	6.7	$22.99	56,222,452	$19.40
GMSSOP $1-2/3 Par Value Common					
$46.59	2,282,027	5.0	$46.59	2,282,027	$46.59
50.46	5,000,719	9.0	$50.46	–	$ –
52.35	3,857,486	8.0	$52.35	–	$ –
71.53	3,778,487	6.0	$71.53	3,778,487	$71.53
75.50	4,038,480	7.0	$75.50	4,038,480	$75.50
$46.59 to $75.50	18,957,199	7.3	$59.91	10,098,994	$67.48

Note 22 Hughes Transactions

On December 9, 2002, Hughes, GM, and EchoStar Communications Corporation (EchoStar) entered into a Termination, Settlement and Release Agreement (Termination Agreement), in which these parties agreed to terminate the Agreement and Plan of Merger, dated as of October 28, 2001, as amended, between Hughes and EchoStar (Merger Agreement) and certain related agreements. Under the terms of the Termination Agreement, EchoStar paid Hughes $600 million in cash and Hughes retained its 81% ownership position in PanAmSat. This resulted in a gain of $600 million ($372 million after tax), or $0.21 diluted earnings per share of GM $1-2/3 par value common stock, recorded in total net sales and revenue. The companies entered into the Termination Agreement because the merger could not be completed within the time allowed by the Merger Agreement due to regulatory opposition.

GM has announced that it is currently evaluating a variety of strategic options for Hughes, including a reduction or elimination of its retained economic interest in Hughes, transactions that would involve strategic investors and public offerings of GM Class H common stock or related securities for cash or in exchange for outstanding GM debt obligations (see Note 26). Any such transaction might involve the separation of Hughes from GM. GM and Hughes have engaged in preliminary discussions with some parties. No decisions have been made regarding which options or combinations of options, if any, GM will pursue. Due to the numerous uncertainties involved in these matters, there can be no assurance that any transaction or offering will be announced or completed or as to the time at which such a transaction or offering might be completed.

Note 23 Other Income

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

Years ended December 31,	**2002**	2001	2000
Automotive, Communications Services, and Other Operations			
Other income			
Interest income	**$ 929**	$ 771	$ 619
Rental car lease revenue	**1,214**	1,424	1,584
Gain onEchoStar termination payment (Note 22)	**600**	–	–
Gain on sale of Hughes' satellite systems (1)	**–**	–	2,036
Claims,commissions,and grants	**781**	767	756
Other	**239**	369	247
Total other income	**$3,763**	$3,331	$5,242

(1) *Represents the gain on the sale of Hughes' satellite systems manufacturing businesses to Boeing for $3.8 billion in cash.*

Note 23 Other Income *(concluded)*

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

Years ended December 31,	**2002**	2001	2000
Financing and Insurance Operations			
Other income			
Interest income	**$ 2,951**	$2,269	$1,794
Insurance premiums	**2,188**	1,524	1,394
Mortgage banking income	**2,064**	1,862	1,518
Automotive securitization income	**1,352**	1,179	786
Other	**3,035**	2,841	2,011
Total other income	**$11,590**	$9,675	$7,503

Note 24 European Matters

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

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

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

During September 2000, the European Parliament passed a directive requiring member states to adopt legislation regarding end-of-life vehicles and the responsibility of manufacturers for dismantling and recycling vehicles they have sold. European Union member states were required to transform the concepts detailed in the directive into national law in 2002. Under the directive, manufacturers are financially responsible for at least a portion of the cost of the take-back of vehicles placed in service after July 2002 and all vehicles placed in service prior to July 2002 that are still in operation in January 2007. The laws developed in the individual national legislatures throughout Europe will have a significant impact on the amount ultimately paid by the manufacturers for this issue. GM recorded, in cost of sales and other expenses in the GME segment, an after-tax charge of $55 million ($0.10 per diluted share of GM $1-2/3 par value common stock) in 2002 for those member states that have passed national laws through December 31, 2002. Management is assessing the impact of this potential legislation on GM's financial position and results of operations, and may include charges to earnings in future periods as additional national laws are passed.

Note 25 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 ACO business consist of General Motors Automotive (GMA) (which is comprised of four regions: GMNA, GME, GMLAAM, GMAP), Hughes, 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 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. Hughes includes activities relating to digital entertainment, information and communications services, and satellite-based private business networks. The Other segment includes the design, manufacturing, and marketing of locomotives and heavy-duty transmissions, 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 operating in the U.S., Canada, Brazil, and Mexico which are not associated with GMAC.

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

Note 25 Segment Reporting *(continued)*

(Dollars in millions)	GMNA	GME	GMLAAM
2002			
Manufactured products sales and revenues:			
External customers	**$113,731**	**$22,409**	**$4,698**
Intersegment	**(2,038)**	**1,057**	**327**
Total manufactured products	**111,693**	**23,466**	**5,025**
Financing revenue	**–**	**–**	**–**
Other income	**2,751**	**446**	**85**
Total net sales and revenues	**$114,444**	**$23,912**	**$5,110**
Depreciation and amortization	**$ 4,751**	**$ 1,080**	**$ 178**
Interest income (a)	**$ 1,002**	**$ 316**	**$ 24**
Interest expense	**$ 709**	**$ 304**	**$ 145**
Income tax expense (benefit)	**$ 1,157**	**$ (436)**	**$ (76)**
Earnings (losses) of nonconsolidated associates	**$ 46**	**$ 76**	**$ (3)**
Net income (loss)	**$ 2,900**	**$ (1,011)**	**$ (181)**
Investments in nonconsolidated affiliates	**$ 534**	**$ 890**	**$ 397**
Segment assets	**$105,551**	**$20,344**	**$3,035**
Expenditures for property	**$ 4,370**	**$ 1,447**	**$ 197**
2001			
Manufactured products sales and revenues:			
External customers	$105,859	$22,249	$5,615
Intersegment	(1,772)	820	200
Total manufactured products	104,087	23,069	5,815
Financing revenue	–	–	–
Other income	2,851	631	49
Total net sales and revenues	$106,938	$23,700	$5,864
Depreciation and amortization	$ 4,515	$ 994	$ 146
Interest income (a)	$ 831	$ 369	$ 27
Interest expense	$ 969	$ 349	$ 95
Income tax expense (benefit)	$ 423	$ (282)	$ (18)
(Losses) earnings of nonconsolidated associates	$ (37)	$ 41	$ (6)
Net income (loss)	$ 1,270	$ (765)	$ (81)
Investments in nonconsolidated affiliates	$ 665	$ 886	$ 614
Segment assets	$ 89,501	$18,552	$4,181
Expenditures for property	$ 5,771	$ 1,477	$ 125
2000			
Manufactured products sales and revenues:			
External customers	$111,481	$23,815	$5,470
Intersegment	(1,659)	1,040	184
Total manufactured products	109,822	24,855	5,654
Financing revenue	–	–	–
Other income	2,901	503	59
Total net sales and revenues	$112,723	$25,358	$5,713
Depreciation and amortization	$ 4,564	$ 1,357	$ 272
Interest income (a)	$ 633	$ 403	$ 22
Interest expense	$ 1,175	$ 408	$ 101
Income tax expense (benefit)	$ 1,218	$ (209)	$ (122)
(Losses) earnings of nonconsolidated associates	$ (74)	$ 7	$ 69
Net income (loss)	$ 3,174	$ (676)	$ 26
Investments in nonconsolidated affiliates	$ 780	$ 170	$ 436
Segment assets	$ 90,502	$18,857	$4,166
Expenditures for property	$ 6,073	$ 1,517	$ 233

(a) *Interest income is included in net sales and revenues from external customers.*
(b) *The amount reported for Hughes excludes amortization of GM purchase accounting adjustments related to GM's acquisition of Hughes Aircraft Company of approximately $3 million and $16 million for 2001 and 2000, respectively. There is no compared adjustment in 2002 because the related goodwill is no longer being amortized effective January 1,2002,in accordance with SFAS No. 142,"Goodwill and Other Intangible Assets."*
(c) *Net income (loss) for ACO Other includes a non-cash charge of $1.4 billion after tax related to the write-down of GM's investment in FAH. See Note 11.*
(d) *Excludes satellite expenditures totaling $732 million,$944 million,and $777 million in 2002,2001,and 2000,respectively.*

	GMAP	GMA	Hughes	Other	ACO	GMAC	Other Financing	Total Financing
	$3,663	**$144,501**	**$ 8,910**	**$ 2,563**	**$155,974**	**$ –**	**$ –**	**$ –**
	654	**–**	**18**	**(18)**	**–**	**–**	**–**	**–**
	4,317	**144,501**	**8,928**	**2,545**	**155,974**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**	**14,710**	**726**	**15,436**
	207	**3,489**	**559**	**(285)**	**3,763**	**12,083**	**(493)**	**11,590**
	$4,524	**$147,990**	**$ 9,487**	**$ 2,260**	**$159,737**	**$ 26,793**	**$ 233**	**$ 27,026**
	$ 143	**$ 6,152**	**$ 1,073**	**$ 172**	**$ 7,397**	**$ 5,136**	**$ 405**	**$ 5,541**
	$ 12	**$ 1,354**	**$ 24**	**$ (449)**	**$ 929**	**$ 3,221**	**$ (270)**	**$ 2,951**
	$ 8	**$ 1,166**	**$ 336**	**$ (713)**	**$ 789**	**$ 6,736**	**$ 190**	**$ 6,926**
	$ 55	**$ 700**	**$ (111)**	**$ (1,078)**	**$ (489)**	**$ 1,071**	**$ (49)**	**$ 1,022**
	$ 231	**$ 350**	**$ (70)**	**$ 11**	**$ 291**	**$ (1)**	**$ (7)**	**$ (8)**
	$ 188	**$ 1,896**	**$ (239)**	**$ 1,803** (c)	**$ (146)**	**$ 1,870**	**$ 12**	**$ 1,882**
	$3,233	**$ 5,054**	**$ (53)**	**$ 43**	**$ 5,044**	**$ 237**	**$ (237)**	**$ –**
	$1,689	**$130,619**	**$18,549** (f) (g)	**$ (5,408)**	**$143,760**	**$227,670**	**$ 441**	**$228,111**
	$ 263	**$ 6,277**	**$ 566** (d)	**$ 143**	**$ 6,986**	**$ 451**	**$ 6**	**$ 457**
	$3,262	$136,985	$ 8,236	$ 2,939	$148,160	$ –	$ –	$ –
	752	–	25	(25)	–	–	–	–
	4,014	136,985	8,261	2,914	148,160	–	–	–
	–	–	–	–	–	15,083	1,011	16,094
	187	3,718	57	(444)	3,331	10,389	(714)	9,675
	$4,201	$140,703	$ 8,318	$ 2,470	$151,491	$ 25,472	$ 297	$ 25,769
	$ 117	$ 5,772	$ 1,144 (b)	$ 135	$ 7,051	$ 5,305	$ 552	$ 5,857
	$ 14	$ 1,241	$ 57	$ (527)	$ 771	$ 2,696	$ (427)	$ 2,269
	$ 8	$ 1,421	$ 196	$ (866)	$ 751	$ 7,606	$ 233	$ 7,839
	$ 24	$ 147	$ (326)	$ (91)	$ (270)	$ 1,075	$ (37)	$ 1,038
	$ (61)	$ (63)	$ (61)	$ (5)	$ (129)	$ (5)	$ 3	$ (2)
	$ (57)	$ 367	$ (618) (b)	$ (916)	$ (1,167)	$ 1,786	$ (18)	$ 1,768
	$2,700	$ 4,865	$ 55	$ 30	$ 4,950	$ 1,062	$(1,062)	$ –
	$ 896	$113,130	$19,154 (f)	$ (1,099)	$130,210	$192,721	$ 1,038	$193,759
	$ 194	$ 7,567	$ 799 (d)	$ 245	$ 8,611	$ 13	$ 7	$ 20
	$2,999	$143,765	$ 8,514	$ 3,106	$155,385	$ –	$ –	$ –
	435	–	34	(34)	–	–	–	–
	3,434	143,765	8,548	3,072	155,385	–	–	–
	–	–	–	–	–	15,493	1,009	16,502
	172	3,635	2,141	(534)	5,242	8,168	(665)	7,503
	$3,606	$147,400	$10,689	$ 2,538	$160,627	$ 23,661	$ 344	$ 24,005
	$ 107	$ 6,300	$ 996 (b)(e)	$ 133	$ 7,429	$ 5,505	$ 477	$ 5,982
	$ 13	$ 1,071	$ 106	$ (558)	$ 619	$ 2,231	$ (437)	$ 1,794
	$ 4	$ 1,688	$ 218	$ (1,091)	$ 815	$ 8,295	$ 442	$ 8,737
	$ 17	$ 904	$ 577	$ (38)	$ 1,443	$ 954	$ (4)	$ 950
	$ (195)	$ (193)	$ (142)	$ (1)	$ (336)	$ –	$ 4	$ 4
	$ (233)	$ 2,291	$ 829 (b)(e)	$ (281)	$ 2,839	$ 1,602	$ 11	$ 1,613
	$1,915	$ 3,301	$ 82	$ 114	$ 3,497	$ 982	$ (982)	$ –
	$1,108	$114,633	$19,220 (f)	$ (497)	$133,356	$168,410	$ 1,334	$169,744
	$ 168	$ 7,991	$ 939 (d)	$ 270	$ 9,200	$ 518	$ 4	$ 522

(e) *The amount reported for Hughes includes the write-off of approximately $329 million of unamortized goodwill related to the satellite systems manufacturing businesses at the time of the sale to Boeing.*

(f) *The amount reported for Hughes excludes the unamortized GM purchase accounting adjustments of approximately $57 million at December 31,2002, $57 million at December 31,2001,and $60 million at December 31,2000.*

(g) *The amount reported for Hughes excludes a write-off of $739 million that was recorded in the fourth quarter of 2002 by Hughes in its stand-alone financial statements for goodwill impairments at DIRECTV Latin America and DIRECTV Broadband; however, in accordance with SFAS No. 142,GM evaluated the carrying value of goodwill associated with its Hughes Direct-to-Home Broadcast reporting unit in the aggregate and subsequently determined that the goodwill was not considered impaired.*

Note 25 Segment Reporting *(concluded)*

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

	2002		2001		2000	
	Net Sales and Revenues	**Long-Lived Assets (1)**	Net Sales and Revenues	Long-Lived Assets (1)	Net Sales and Revenues	Long-Lived Assets (1)
North America						
United States	**$138,692**	**$52,364**	$132,004	$53,246	$136,399	$55,967
Canada and Mexico	**15,023**	**7,094**	11,769	6,294	13,986	6,496
Total North America	**153,715**	**59,458**	143,773	59,540	150,385	62,463
Europe						
France	**2,082**	**177**	1,829	130	1,986	139
Germany	**5,886**	**4,605**	6,133	4,165	6,582	4,423
Spain	**1,738**	**1,055**	1,772	728	1,650	729
United Kingdom	**5,677**	**2,044**	5,024	1,487	5,035	1,491
Other	**11,068**	**2,985**	11,139	2,515	11,935	2,944
Total Europe	**26,451**	**10,866**	25,897	9,025	27,188	9,726
Latin America						
Brazil	**2,479**	**769**	2,889	1,166	3,395	1,281
Other Latin America	**2,230**	**337**	2,249	479	1,843	392
Total Latin America	**4,709**	**1,106**	5,138	1,645	5,238	1,673
All other	**1,888**	**2,434**	2,452	3,560	1,821	3,980
Total	**$186,763**	**$73,864**	$177,260	$73,770	$184,632	$77,842

(1) *Primarily consist of property (Note 9),equipment on operating leases (Note 7),and satellites (Note 11),net of accumulated depreciation.*

Note 26 Subsequent Events

In the fourth quarter of 2002, the Corporation announced its agreement to sell its GM Defense operations (light armored vehicle business) to General Dynamics Corporation for approximately $1.3 billion in cash. The transaction closed on March 1, 2003 and is estimated to result in an after-tax gain of approximately $600 million.

On March 12, 2003, GM contributed 149.2 million shares of GM Class H common stock to certain of its U.S. employee benefit plans. The shares will be held by United States Trust Company of New York as trustee for the employee benefit plans. An independent valuation firm that was retained to value the shares applied a discount to the market value due to, among other things, various restrictions on the transfer of the shares provided for in the agreements between GM and the trustee, resulting in an aggregate contribution value of approximately $1.24 billion. The contribution increased the amount of GM Class H common stock held by GM's employee benefit plans to approximately 330 million shares, and reduced GM's retained economic interest in Hughes to approximately 19.9% from 30.7%. As a consequence of the contribution, GM now expects that its 2003 U.S. pre-tax pension expense will be approximately $2.8 billion instead of the $2.9 billion originally estimated.

In the first quarter of 2003, Hughes completed a series of financing transactions to replace its previous credit facilities with a capital structure that is more long-term in nature. On February 28, 2003, DIRECTV issued $1.4 billion in senior notes due in 2013. The 10-year senior notes are unsecured indebtedness and bear interest at 8.375%. In addition, on March 6, 2003, DIRECTV entered into a new senior secured credit facility with total term loan and revolving loan commitments of $1.7 billion. The new senior secured credit facility is comprised of a $375 million Tranche A Term Loan, $200 million of which was undrawn at March 12, 2003, and a $1.1 billion Tranche B Term Loan and a $250 million revolving credit facility which were undrawn at March 12, 2003. The new senior secured credit facility has a term of five to seven years and is secured by substantially all of DIRECTV's assets. The revolving credit facility and the term loans bear interest at LIBOR plus 3.5%. DIRECTV distributed to Hughes the net proceeds from the senior secured credit facility and the sale of the senior notes totaling $2.6 billion. The $200 million undrawn portion of the Tranche A Term Loan is expected to be drawn by December 31, 2003 with the net proceeds distributed to Hughes. The revolving portion of the senior secured credit facility will be available to DIRECTV to fund working capital and other requirements. The above distribution enabled Hughes to repay all amounts outstanding under its previous credit facilities, which were terminated on February 28, 2003.

Supplementary Information Selected Quarterly Data (Unaudited)

	2002 Quarters			
(Dollars in millions,except per share amounts)	1st (1)	2nd (2)	3rd (3)	4th (4)
Total net sales and revenues	$46,264	$48,265	$43,578	$48,656
Income (losses) before income taxes and minority interests	$ 354	$ 1,781	$ (1,405)	$ 1,350
Income tax expense (benefit)	125	563	(551)	396
Minority interests	(22)	(19)	(32)	(21)
Earnings (losses) of nonconsolidated associates	21	93	82	87
Net income (loss)	228	1,292	(804)	1,020
Dividends on preference stocks	(24)	(23)	–	–
Earnings (losses) attributable to common stocks	$ 204	$ 1,269	$ (804)	$ 1,020
Earnings (losses) attributable to $1-2/3 par value	$ 325	$ 1,389	$ (795)	$ 961
(Losses) earnings attributable to Class H	$ (121)	$ (120)	$ (9)	$ 59
Basic earnings (losses) per share attributable to				
$1-2/3 par value	$ 0.58	$ 2.48	$ (1.42)	$ 1.71
Class H	$ (0.14)	$ (0.14)	$ (0.01)	$ 0.06
Average number of shares of common stocks outstanding – basic (in millions)				
$1-2/3 par value	559	560	560	560
Class H	878	884	958	958
Diluted earnings (losses) per share attributable to				
$1-2/3 par value	$ 0.57	$ 2.43	$ (1.42)	$ 1.71
Class H	$ (0.14)	$ (0.14)	$ (0.01)	$ 0.06
Average number of shares of common stocks outstanding – diluted (in millions)				
$1-2/3 par value	570	572	560	561
Class H	878	884	958	959

(1) *First quarter 2002 results include the following:*
- *a $407 million after-tax restructuring charge related to severance payments and asset impairments at GME that were part of the restructuring of GM's automotive operations in Europe;*
- *a $59 million after-tax favorable adjustment related to Hughes' resolution of a lawsuit that was filed against the U.S. government relating to the National Aeronautics and Space Administration's breach of contract to launch 10 satellites on the Space Shuttle;*
- *a $51 million after-tax charge related to Hughes' expected loss associated with a contractual dispute with General Electric Capital Corporation; and*
- *a $18 million after-tax charge related to Hughes' loan guarantee for a Hughes Network Systems' affiliate in India.*

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

(3) *Third quarter 2002 results include the following:*
- *a $1.4 billion after-tax charge related to the write-down of GM's investment in Fiat Auto Holdings, B.V. as a result of the completion of an impairment study of the carrying value of GM's investment;*
- *a $116 million after-tax charge primarily related to GM's costs associated with the transfer of commercial truck production from Janesville,Wisconsin, to Flint,Michigan; and*
- *a $68 million after-tax favorable adjustment related to Hughes' sale of equity interests primarily related to the investment in Thomson multimedia S.A.;*

(4) *Fourth quarter 2002 results include the following:*
- *a $372 million after-tax gain related to Hughes' receipt of $600 million that EchoStar paid to Hughes in connection with the termination of the October 28, 2001 merger agreement between Hughes and EchoStar;*
- *a $27 million after-tax charge related to Hughes' write-down of their investment in Crown Media as a result of an other than temporary decline in the market value of their investment;*
- *a $63 million after-tax charge related to Hughes' write-down of their investment in XM Satellite Radio as a result of an other than temporary decline in the market value of their investment;*
- *a $97 million after-tax charge related to Hughes' shut-down of DIRECTV Broadband Business for costs to close the business including contract termination payments,write-offs of equipment, and severance payments; and*
- *a $15 million after-tax charge related to Hughes' loss in the exchange of Hughes' ownership in Hughes Tele.com (India) Limited for an equity interest in and long-term receivables from Tata Teleservices Limited.*

Supplementary Information Selected Quarterly Data (Unaudited)

(Dollars in millions,except per share amounts)	2001 Quarters 1st (5)	2nd (6)	3rd (7)	4th
Total net sales and revenues	$42,615	$46,220	$42,475	$45,950
Income (losses) before income taxes and minority interests	$ 504	$ 925	$ (285)	$ 374
Income tax expense	208	304	76	180
Minority interests	(2)	7	(10)	(13)
Earnings (losses) of nonconsolidated associates	(57)	(151)	3	74
Net income (loss)	237	477	(368)	255
Dividends on preference stocks	(28)	(23)	(25)	(23)
Earnings (losses) attributable to common stocks	$ 209	$ 454	$ (393)	$ 232
Earnings (losses) attributable to $1-2/3 par value	$ 296	$ 574	$ (223)	$ 337
Losses attributable to Class H	$ (87)	$ (120)	$ (170)	$ (105)
Basic earnings (losses) per share attributable to				
$1-2/3 par value	$ 0.54	$ 1.05	$ (0.41)	$ 0.61
Class H	$ (0.10)	$ (0.14)	$ (0.19)	$ (0.12)
Average number of shares of common stocks outstanding – basic (in millions)				
$1-2/3 par value	548	549	551	556
Class H	875	876	877	877
Diluted earnings (losses) per share attributable to				
$1-2/3 par value	$ 0.53	$ 1.03	$ (0.41)	$ 0.60
Class H	$ (0.10)	$ (0.14)	$ (0.19)	$ (0.12)
Average number of shares of common stocks outstanding – diluted (in millions)				
$1-2/3 par value	554	559	551	559
Class H	875	876	877	877

(5) *First quarter 2001 results include a $12 million after-tax increase to income for the net impact from initially adopting SFAS No. 133, "Accounting for Derivatives and Hedging Activities."*

(6) *Second quarter 2001 results include a $133 million after-tax restructuring charge related to General Motors' portion of severance payments and asset impairments that were part of the second quarter restructuring of its affiliate Isuzu Motors Ltd.*

(7) *Third quarter 2001 results include the following:*
- *a $194 million after-tax charge for the announced closing of the Ste. Therese,Quebec,assembly plant;*
- *a $474 million after-tax charge related to Hughes' settlement with Raytheon on a purchase price adjustment related to Raytheon's 1997 merger with Hughes defense;*
- *a $67 million after-tax gain related to Hughes' sale of 4.1 million shares of Thomson multimedia S.A. common stock;*
- *a $133 million after-tax charge related to Hughes' non-cash charge from the revaluation of its Sky Perfect investment;*
- *a $40 million after-tax severance charge related to Hughes' 10% company-wide workforce reduction in the U.S.; and*
- *a $21 million after-tax favorable adjustment for the expected costs associated with the shutdown of Hughes' DIRECTV Japan business.*

Supplementary Information Selected Financial Data

(Dollars in millions, except per share amounts)	Years Ended December 31, 2002	2001	2000	1999	1998
Total net sales and revenues	**$186,763**	$177,260	$184,632	$176,558	$155,445
Income from continuing operations	**$ 1,736**	$ 601	$ 4,452	$ 5,576	$ 3,049
Income (loss) from discontinued operations	**–**	–	–	426	(93)
Net income (1)	**$ 1,736**	$ 601	$ 4,452	$ 6,002	$ 2,956
$1-2/3 par value common stock					
Basic earnings per share (EPS) from continuing operations	**$ 3.37**	$ 1.78	$ 6.80	$ 8.70	$ 4.40
Basic earnings (losses) per share from discontinued operations	**$ –**	$ –	$ –	$ 0.66	$ (0.14)
Diluted EPS from continuing operations	**$ 3.35**	$ 1.77	$ 6.68	$ 8.53	$ 4.32
Diluted earnings (losses) per share from discontinued operations	**$ –**	$ –	$ –	$ 0.65	$ (0.14)
Cash dividends declared per share	**$ 2.00**	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Class H common stock (2)					
Basic earnings (losses) per share from continuing operations	**$ (0.21)**	$ (0.55)	$ 0.56	$ (0.26)	$ 0.23
Diluted earnings (losses) per share from continuing operations	**$ (0.21)**	$ (0.55)	$ 0.55	$ (0.26)	$ 0.23
Cash dividends declared per share	**$ –**	$ –	$ –	$ –	$ –
Total assets	**$370,782**	$322,412	$301,129	$273,729	$245,872
Notes and loans payable	**$201,940**	$166,314	$144,655	$131,688	$116,075
GM-obligated mandatorily redeemable preferred securities of subsidiary trusts	**$ –**	$ –	$ 139	$ 218	$ 220
Stockholders' equity	**$ 6,814**	$ 19,707	$ 30,175	$ 20,644	$ 15,052

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

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

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

Corporate and Social Responsibility

Driving Accountability

You want to do business with, work for and invest in a company you can trust. In a year in which investor confidence was shaken by a series of accounting and corporate governance scandals, General Motors again demonstrated its commitment to integrity. We unconditionally complied with the new Securities and Exchange Commission requirement for key officers to certify financial reporting, endorsed new stock exchange regulations and announced that we would begin expensing employee stock options in January 2003.

Leadership and accountability are more important than ever. At General Motors, we are driving accountability throughout the organization to provide a realistic and balanced view of performance to investors. We have a long history of applying appropriate financial checks and balances, and we place a high value on communicating clear, consistent and truthful information about our performance to our investors, employees, suppliers, dealers and customers.

To earn investor confidence day in and day out, we run our business with integrity and honesty. GM has a long tradition of accountability that has helped establish our reputation as a leader in corporate responsibility. We have worked hard over the years to set the right tone at the top.

The corporate governance guidelines that the GM Board of Directors put in place in the early 1990s formed the basis for many of the reforms being implemented at other companies today. The board represents the owners' interest, and is responsible for determining that the corporation is managed in such a way to ensure successful financial results and the generation of shareholder value. Independent, outside directors hold 11 of the 13 seats on the GM Board. The board's Audit Committee, Executive Compensation Committee and Committee on Director Affairs are composed solely of independent directors.

Running our business with integrity and honesty allows us to achieve our extended goal to be responsible contributors to the betterment of society through our products and services and through the manner in which we provide them. We strive to improve our operations and products, and to integrate economic, environmental and social objectives into our daily business.

The GM brand offers automotive innovation that improves people's lives. We are using advanced automotive technology and innovation in a three-pronged approach to deal with fuel economy issues.

We believe the hydrogen fuel cell is the ultimate long-term answer, and we're continuing to invest heavily in its development. Our Hy-wire concept car demonstrates the potential for clean hydrogen-powered vehicles.

However, we're not putting off actions that we can take now to lower fuel consumption and cut emissions. For the near term, we will continue to introduce new technologies that will improve the internal combustion engine. From continuously variable transmissions to Displacement on Demand engines and clean-diesel technology, we are working hard to improve our efficiency model by model, year after year.

We plan to bridge the gap between improved internal combustion engines and fuel cells with a major commitment to hybrid vehicles, which can reduce fuel consumption without trading off customer requirements. Not only will hybrids deliver direct and measurable benefits by themselves, they'll also help us achieve our long-term goal of mass-market fuel-cell vehicles. If consumers were to select the hybrid option on all of the models included in our multi-year plan, we would be capable of providing more than one million hybrid vehicles per year.

More information regarding our commitment to corporate responsibility can be found on the GMability Web site. We realize that our annual reports do not reach everyone interested in our activities. GMability (http://www.gm.com/company/gmability) allows us to use the Internet to help bridge geographic and cultural boundaries.

Board of Directors and Committees *(as of December 31, 2002)*

John F. Smith, Jr. [5]
Chairman,
General Motors Corporation
Director since 1990

G. Richard Wagoner, Jr.
President and
Chief Executive Officer,
General Motors Corporation
Director since 1998

George M.C. Fisher [3,4,5]
Retired Chairman and
Chief Executive Officer,
Eastman Kodak Company
Director since 1996

John H. Bryan [1,2,3,4]
Retired Chairman and
Chief Executive Officer,
Sara Lee Corporation
Director since 1993

Eckhard Pfeiffer [1,2,4]
Retired President and
Chief Executive Officer,
Compaq Computer Corporation
Director since 1996

E. Stanley O'Neal [5]
Chief Executive Officer,
Merrill Lynch & Co., Inc.
Director since 2001

Philip A. Laskawy was elected to the GM Board of Directors effective January 2003. Thomas E. Everhart and J. Willard Marriott, Jr. retired from the Board effective June 2002.

Left to right: John F. Smith, Jr., G. Richard Wagoner, Jr., George M.C. Fisher, John H. Bryan, Eckhard Pfeiffer, E. Stanley O'Neal

Alan G. Lafley [1]
Chairman, President and
Chief Executive,
The Procter & Gamble Company
Director since 2002

Nobuyuki Idei [1,5]
Chairman and
Chief Executive Officer,
Sony Corporation
Director since 1999

Karen Katen [1,3,6]
Executive Vice President –
Pfizer Inc and
President –
Pfizer Global Pharmaceuticals
Director since 1997

Lloyd D. Ward [1,6]
Chief Executive Officer,
United States Olympic Committee
Director since 2000

Percy N. Barnevik [2,3,5,6]
Chairman,
AstraZeneca PLC
Director since 1996

Armando Codina [5,6]
Chairman and
Chief Executive Officer,
Codina Group, Inc.
Director since 2002

Philip A. Laskawy [1]
Retired Chairman and
Chief Executive Officer,
Ernst & Young
Director since 2003

[1] **Audit Committee**
Eckhard Pfeiffer, Chair

[2] **Capital Stock Committee**
Eckhard Pfeiffer, Chair

[3] **Directors and Corporate Governance Committee**
George M.C. Fisher, Chair

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

[5] **Investment Funds Committee**
Percy N. Barnevik, Chair

[6] **Public Policy Committee**
Karen Katen, Chair

Left to right: Alan G. Lafley, Nobuyuki Idei, Karen Katen, Lloyd D. Ward, Percy N. Barnevik, Armando Codina, Philip A. Laskawy

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Officers and Operating Executives *(as of April 1, 2003)*

Chairman

John F. Smith, Jr.
Chairman of the Board (Retires 5-1-03)

President and Chief Executive Officer

G. Richard Wagoner, Jr.
Chairman and Chief Executive Officer (Effective 5-1-03)

Vice Chairmen

John M. Devine
Vice Chairman and Chief Financial Officer

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

Executive Vice President

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

Group Vice Presidents

Michael J. Burns
Group Vice President and President, GM Europe

Troy A. Clarke
Group Vice President, Manufacturing and Labor Relations

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

Eric A. Feldstein
Group Vice President and Chairman, General Motors Acceptance Corporation

Peter H. Hanenberger
Group Vice President and Chairman and Managing Director, Holden Ltd.

Frederick A. Henderson
Group Vice President and President, GM Asia Pacific

Mark T. Hogan
Group Vice President, Advanced Vehicle Development

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

John F. Smith
Group Vice President, North America Vehicle Sales, Service and Marketing

Thomas G. Stephens
Group Vice President, GM Powertrain

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

Vice Presidents and Operating Executives

Bo I. Andersson
GM Vice President, Worldwide Purchasing, Production Control and Logistics

Peter Augustsson
GM Europe Vice President and Chairman and Chief Executive Officer, SAAB Automobile

Kathleen S. Barclay
GM Vice President, Global Human Resources

Guy D. Briggs
GM Vice President and General Manager, Vehicle Manufacturing

Jonathan R. Browning
GM Europe Vice President, Sales, Marketing and Aftersales

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

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

Wayne K. Cherry
GM Vice President, Design Centers

Darwin E. Clark
GM Vice President, Industry-Dealer Affairs

Kenneth W. Cole
GM Vice President, Government Relations

Hans-Heinrich Demant
GM Europe Vice President, Engineering

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

Gerald L. Elson
GM Vice President and General Manager, Vehicle Operations

Carl-Peter Forster
GM Europe Vice President and Chairman and Managing Director, Adam Opel AG

Peter R. Gerosa
GM North America Vice President and General Manager, Sales, Service and Parts

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

Michael A. Grimaldi
GM Vice President and President and General Manager, GM of Canada, Ltd.

R. William Happel
GM Vice President and General Manager, GM Locomotive

Steven J. Harris
GM Vice President, Communications

Douglas J. Herberger
GM North America Vice President and General Manager, Service and Parts Operations

Timothy E. Lee
GM Europe Vice President, Manufacturing

Elizabeth A. Lowery
GM Vice President, Environment and Energy

Ned S. McClurg
GM Vice President and General Manager, Engineering Operations, GM Powertrain

John G. Middlebrook
GM Vice President, Marketing and Advertising

Philip F. Murtaugh
Chairman and Managing Director, China Group

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

James E. Queen
GM Vice President, GM North America Engineering

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

David N. Reilly
GM Vice President and President and Chief Executive Officer, GM Daewoo Auto and Technology Company

Kent T. Sears
GM North America Vice President, Quality

Joseph D. Spielman
GM Vice President and General Manager, Metal Fabricating

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

Gualterio S. Wieland
President and Managing Director, GM do Brasil

James R. Wiemels
GM Vice President, Global Manufacturing Process

Ray G. Young
GM North America Vice President and Chief Financial Officer

Other Officers

Peter R. Bible
Chief Accounting Officer

Walter G. Borst
Treasurer

Nancy E. Polis
Secretary

Paul W. Schmidt
Controller

Chester N. Watson
General Auditor

Roger D. Wheeler
Chief Tax Officer

General Information

Common Stock Symbols
GM: $1-2/3 par value
GMH: Class H

GM Annual Meeting
The Annual Meeting of Stockholders will be held at 9 a.m. ET on Tuesday, June 3, 2003, in Wilmington, Delaware. Notice of the Annual Meeting and proxy materials will be mailed to stockholders in April.

Stockholder Assistance
For information about stock accounts, direct deposit of dividends or other dividend check issues, stock transfers, address changes and Internet account access, please contact:

EquiServe
General Motors Corporation
P.O. Box 43009
Providence, RI 02940-3009
Phone: 1-800-331-9922
Phone outside continental U.S. and Canada: 781-575-3990
TDD for the deaf, hard of hearing or speech impaired: 1-800-994-4755

EquiServe representatives are available Monday through Friday from 9 a.m. to 5 p.m. ET. Information is always available via the touch-tone automated phone service (1-800-331-9922) or through the EquiServe Web site at www.equiserve.com.

For other information, stockholders may contact:

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

Dividend and Cash Investment Plan
Features of the plan include dividend reinvestment, optional cash investment and safekeeping of stock certificates. Contact EquiServe at 1-800-331-9922 for a prospectus and enrollment information. The prospectus may be viewed online at investor.gm.com.

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

Hughes Electronics Corporation Queries
Hughes Electronics Corporation
Investor Relations
Bldg. 001, M/S A144
200 N. Sepulveda Blvd.
P.O. Box 956
El Segundo, CA 90245-0956
310-662-9688

The Hughes 2002 annual report may be viewed online at www.hughes.com/ir/annual_reports.asp. For a printed copy, please contact Hughes at the above address.

Available Publications
Annual Report
Proxy Statement
Form 10-K Annual Report
Form 10-Q Quarterly Report
GM's full-line product brochure

Select publications are available electronically or print copies may be requested at "Request Information" on investor.gm.com.

To request publications by mail or phone, contact:

GM Fulfillment Center
480-000-FC1
30200 Stephenson Hwy.
Madison Heights, MI 48071-1621
313-667-1434

Information on GM's corporate responsibility performance can be found in the GM 2001-2002 Corporate Responsibility & Sustainability Report, located at www.gmresponsibility.com.

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

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

GM Employee Savings Plans
Participants in the Savings-Stock Purchase Program or Personal Savings Plan should contact the GM Investment Service Center at 1-800-489-4646.

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

Chevrolet: 1-800-222-1020
Pontiac: 1-800-762-2737
Oldsmobile: 1-800-442-6537
Buick: 1-800-521-7300
Cadillac: 1-800-458-8006
GMC: 1-800-462-8782
Saturn: 1-800-553-6000
HUMMER: 1-800-732-5493
Saab: 1-800-722-2872
GM of Canada: 1-800-263-3777
GM Mobility: 1-800-323-9935

GMAC Financial Services
GMAC Customer Service Center/Auto Financing: 1-800-200-4622

GMAC Demand Notes/SMARTNOTES: 1-888-271-4066

SMARTLEASE/SMART Products: 1-800-327-6278

Nuvell: 501-821-5200

Home Mortgage/Home Equity Loans: 1-800-766-4622

Family First: 1-800-964-4622

Commercial Mortgage: 215-328-4622

GMAC Personal Insurance:
GM Family: 1-800-328-5503
Consumer: 1-800-847-2886
Agency: 1-877-468-3466

Mechanical Customer Service Center: 1-800-631-5590

Other Products and Services
GM Card: 1-800-846-2273
OnStar: 1-888-667-8277
DIRECTV: 1-800-347-3288
DirecPC: 1-800-347-3272
XM Satellite Radio: 1-800-852-9696

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