

GENERAL MOTORS CORP

Form 10-Q/A

March 28, 2006

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

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

For the quarterly period ended June 30, 2005

OR

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

For the transition period from _____ to _____

Commission file number 1-143

GENERAL MOTORS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

STATE OF DELAWARE

38-0572515

(State or other jurisdiction of
Incorporation or Organization)

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

300 Renaissance Center, Detroit, Michigan

48265-3000

(Address of Principal Executive Offices)

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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

Website Access to Company's Reports

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

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

EXPLANATORY NOTE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1. Financial Statement Presentation

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

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

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

Restatement of Financial Statements*Results of Operations*

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

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

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

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

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

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

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

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

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

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

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

Table of Contents*Statements of Cash Flows*

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

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

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

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

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

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

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

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

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

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

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

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

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

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

Equity income (loss) and minority interests

Net income	Financing and Insurance Operations	\$ 808	\$ 808	\$ 832	\$ 799
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Net income (loss) by reportable operating segment / region

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

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

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

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

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

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

Net income (loss) by reportable operating segment / region

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUPPLEMENTAL INFORMATION TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Cash and cash equivalents at end of the year	\$ 12,445	\$ 12,445	\$ 19,816	\$ 19,816
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GENERAL MOTORS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS **continued**
(Unaudited)

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

SUPPLEMENTAL INFORMATION TO THE CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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(Unaudited)

NOTE 1. Financial Statement Presentation (concluded)

New Accounting Standards

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

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

NOTE 2. Acquisition and Disposal of Businesses

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

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

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

NOTE 2. Acquisition and Disposal of Businesses (concluded)

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

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

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

NOTE 3. Inventories

Inventories included the following (dollars in millions):

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

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

NOTE 4. Goodwill and Acquired Intangible Assets

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

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

Total goodwill and intangible assets \$ 1,412

Financing and Insurance Operations

Amortizing intangible assets:

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

Total	\$ 123	\$ 71	\$ 52
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Non-amortizing intangible assets:

Goodwill	3,232
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Total goodwill and intangible assets	3,284
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Total consolidated goodwill and intangible assets	\$ 4,696
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Annual amortization expense relating to the existing intangible assets for each of the next five years is estimated at \$33 million to \$61 million.

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

NOTE 4. Goodwill and Acquired Intangible Assets (concluded)

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

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

NOTE 5. Investment in Nonconsolidated Affiliates

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

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

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

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

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

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(Unaudited)

NOTE 6. Product Warranty Liability

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

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

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

NOTE 7. Commitments and Contingent Matters*Commitments*

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

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

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

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

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

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

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

Contingent Matters

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

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

NOTE 7. Commitments and Contingent Matters (concluded)

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

NOTE 8. Comprehensive Income (Loss)

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

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

NOTE 9. Earnings Per Share Attributable to Common Stock

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

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

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES
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NOTE 9. Earnings Per Share Attributable to Common Stock (concluded)

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