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GENERAL MOTORS CORP
Form 10-Q
August 08, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549-1004

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

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

(State or other jurisdiction of
Incorporation or Organization)

38-0572515

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

300 Renaissance Center, Detroit, Michigan

(Address of Principal Executive Offices)

48265-3000

(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, and (2) has been subject to such filing requirements
for the past 90 days. Yes X . No .
--- ---

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes X . No .
--- ---

As of July 31, 2003, there were outstanding 560,718,432 shares of the issuer's \$1-2/3 par value common stock and 1,108,336,710 shares of GM Class H \$0.10 par value common stock.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

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PART I

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
	----	----	----	----
	(dollars in millions except per share amounts)			
Total net sales and revenues	\$48,308	\$48,339	\$97,673	\$94,553
	-----	-----	-----	-----
Cost of sales and other expenses	38,940	38,396	78,323	76,797
Selling, general, and administrative expenses	6,083	6,090	11,789	11,691
Interest expense	2,265	2,072	4,393	3,930
	-----	-----	-----	-----
Total costs and expenses	47,288	46,558	94,505	92,418
	-----	-----	-----	-----
Income before income taxes and minority interests	1,020	1,781	3,168	2,135
Income tax expense	265	563	921	688

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Equity income (loss) and minority interests	146 ---	74 -----	137 -----	73 -----
Net income	901	1,292	2,384	1,520
Dividends on preference stocks	- ---	(23) -----	- -----	(47) -----
Earnings attributable to common stocks	\$901 ===	\$1,269 =====	\$2,384 =====	\$1,473 =====
Basic earnings (losses) per share attributable to common stocks (Note 7)				
Earnings per share attributable to \$1-2/3 par value	\$1.58 =====	\$2.48 =====	\$4.30 =====	\$3.06 =====
Earnings (losses) per share attributable to Class H	\$0.02 =====	\$(0.14) =====	\$(0.02) =====	\$(0.27) =====
Earnings (losses) per share attributable to common stocks assuming dilution (Note 7)				
Earnings per share attributable to \$1-2/3 par value	\$1.58 =====	\$2.43 =====	\$4.29 =====	\$3.02 =====
Earnings (losses) per share attributable to Class H	\$0.02 =====	\$(0.14) =====	\$(0.02) =====	\$(0.27) =====

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

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

Three Months Ended Six Months Ended
 June 30, June 30,

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	----- 2003 ----	----- 2002 ----	----- 2003 ----	----- 2002 ----
	(dollars in millions)			
AUTOMOTIVE, COMMUNICATIONS SERVICES, AND OTHER OPERATIONS				
Total net sales and revenues	\$40,732	\$41,718	\$82,774	\$81,491
Cost of sales and other expenses	36,839	36,461	74,152	72,672
Selling, general, and administrative expenses	3,781	3,818	7,122	7,508
Interest expense	402	302	723	464
Total costs and expenses	41,022	40,581	81,997	80,644
Net expense from transactions with Financing and Insurance	34	46	75	136
Operations				
(Loss) income before income taxes and minority interests	(324)	1,091	702	711
Income tax (benefit) expense	(235)	311	(9)	151
Equity income (loss) and minority interests	147	80	148	91
Net income - Automotive, Communications Services, and Other Operations	\$58 ==	\$860 ===	\$859 ===	\$651 ===
FINANCING AND INSURANCE OPERATIONS				
Total revenues	\$7,576	\$6,621	\$14,899	\$13,062
Interest expense	1,863	1,770	3,670	3,466
Depreciation and amortization expense	1,578	1,353	3,084	2,714
Operating and other expenses	2,068	1,951	4,245	3,856
Provisions for financing and insurance losses	757	903	1,509	1,738
Total costs and expenses	6,266	5,977	12,508	11,774
Net income from transactions with Automotive, Communications Services, and Other Operations	(34)	(46)	(75)	(136)
Income before income taxes and minority interests	1,344	690	2,466	1,424
Income tax expense	500	252	930	537
Equity income (loss) and minority interests	(1)	(6)	(11)	(18)
Net income - Financing and Insurance Operations	\$843 ===	\$432 ===	\$1,525 =====	\$869 ===

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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.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2003 (Unaudited)	Dec. 31, 2002	June 30, 2002 (Unaudited)
	-----	-----	-----
ASSETS	(dollars in millions)		
Cash and cash equivalents	\$31,009	\$21,449	\$18,363
Marketable securities	18,777	16,825	14,304
	-----	-----	-----
Total cash and marketable securities	49,786	38,274	32,667
Finance receivables - net	153,600	134,647	119,636
Accounts and notes receivable (less allowances)	19,420	15,715	12,677
Inventories (less allowances) (Note 2)	11,093	9,967	9,757
Deferred income taxes	39,116	39,865	28,702
Equipment on operating leases - (less accumulated depreciation)	36,576	32,988	33,598
Equity in net assets of nonconsolidated associates	5,249	5,044	5,115
Property - net	38,384	37,514	36,451
Intangible assets - net (Note 3)	18,068	17,954	17,061
Other assets	39,553	37,028	40,665
	-----	-----	-----
Total assets	\$410,845	\$368,996	\$336,329
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable (principally trade)	\$27,402	\$25,082	\$23,983
Notes and loans payable	232,150	201,940	177,035
Postretirement benefits other than pensions	38,618	38,186	37,844
Pensions	23,968	22,762	9,451
Deferred income taxes	7,359	7,178	6,851
Accrued expenses and other liabilities	69,976	66,200	59,686
	-----	-----	-----
Total liabilities	399,473	361,348	314,850
Minority interests	991	834	788
Stockholders' equity			
\$1-2/3 par value common stock (outstanding, 560,712,564; 560,447,797; and 560,223,424 shares) (Note 7)	935	936	936

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Class H common stock (outstanding, 1,108,139,876; 958,284,272; and 958,005,494 shares) (Note 7)	111	96	96
Capital surplus (principally additional paid-in capital)	22,815	21,583	21,557
Retained earnings	11,855	10,031	10,376
	-----	-----	-----
Subtotal	35,716	32,646	32,965
Accumulated foreign currency translation adjustments	(2,292)	(2,784)	(2,770)
Net unrealized loss on derivatives	(205)	(205)	(188)
Net unrealized gains on securities	612	372	268
Minimum pension liability adjustment	(23,450)	(23,215)	(9,584)
	-----	-----	-----
Accumulated other comprehensive loss	(25,335)	(25,832)	(12,274)
	-----	-----	-----
Total stockholders' equity	10,381	6,814	20,691
	-----	-----	-----
Total liabilities and stockholders' equity	\$410,845	\$368,996	\$336,329
	=====	=====	=====

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

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION TO THE CONSOLIDATED BALANCE SHEETS

	June 30, 2003 (Unaudited)	Dec. 31, 2002	June 30, 2002 (Unaudited)
	-----	-----	-----
ASSETS			
(dollars in millions)			
Automotive, Communications Services, and Other Operations			
Cash and cash equivalents	\$18,582	\$13,291	\$14,421
Marketable securities	4,913	2,174	1,014
	-----	-----	-----
Total cash and marketable securities	23,495	15,465	15,435
Accounts and notes receivable (less allowances)	6,584	5,861	5,686
Inventories (less allowances) (Note 2)	11,093	9,967	9,757
Equipment on operating leases - (less accumulated depreciation)	5,946	5,305	4,390
Deferred income taxes and other current assets	10,917	10,816	8,730
	-----	-----	-----
Total current assets	58,035	47,414	43,998
Equity in net assets of nonconsolidated associates	5,249	5,044	5,115
Property - net	36,407	35,693	34,738
Intangible assets - net (Note 3)	14,715	14,611	13,763

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Deferred income taxes	30,496	31,431	22,138
Other assets	8,016	7,781	17,307
	-----	-----	-----
Total Automotive, Communications Services, and Other Operations assets	152,918	141,974	137,059
Financing and Insurance Operations			
Cash and cash equivalents	12,427	8,158	3,942
Investments in securities	13,864	14,651	13,290
Finance receivables - net	153,600	134,647	119,636
Investment in leases and other receivables	41,470	35,517	34,168
Other assets	36,566	34,049	28,234
Net receivable from Automotive, Communications Services, and Other Operations	1,128	1,089	638
	-----	-----	-----
Total Financing and Insurance Operations assets	259,055	228,111	199,908
	-----	-----	-----
Total assets	\$411,973	\$370,085	\$336,967
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Automotive, Communications Services, and Other Operations			
Accounts payable (principally trade)	\$21,351	\$20,169	\$19,459
Loans payable	705	1,516	1,545
Accrued expenses	43,720	40,518	36,513
Net payable to Financing and Insurance Operations	1,128	1,089	638
	-----	-----	-----
Total current liabilities	66,904	63,292	58,155
Long-term debt	20,513	16,651	16,831
Postretirement benefits other than pensions	34,674	34,275	33,990
Pensions	23,901	22,709	9,410
Other liabilities and deferred income taxes	15,634	15,461	14,506
	-----	-----	-----
Total Automotive, Communications Services, and Other Operations liabilities	161,626	152,388	132,892
Financing and Insurance Operations			
Accounts payable	6,051	4,913	4,524
Debt	210,932	183,773	158,659
Other liabilities and deferred income taxes	21,992	21,363	19,413
	-----	-----	-----
Total Financing and Insurance Operations liabilities	238,975	210,049	182,596
	-----	-----	-----
Total liabilities	400,601	362,437	315,488
Minority interests	991	834	788
Stockholders' equity			
\$1-2/3 par value common stock (outstanding, 560,712,564; 560,447,797; and 560,223,424 shares) (Note 7)	935	936	936
Class H common stock (outstanding, 1,108,139,876; 958,284,272; and 958,005,494 shares) (Note 7)	111	96	96
Capital surplus (principally additional paid-in capital)	22,815	21,583	21,557
Retained earnings	11,855	10,031	10,376
	-----	-----	-----
Subtotal	35,716	32,646	32,965
Accumulated foreign currency translation adjustments	(2,292)	(2,784)	(2,770)

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Net unrealized loss on derivatives	(205)	(205)	(188)
Net unrealized gains on securities	612	372	268
Minimum pension liability adjustment	(23,450)	(23,215)	(9,584)
	-----	-----	-----
Accumulated other comprehensive loss	(25,335)	(25,832)	(12,274)
	-----	-----	-----
Total stockholders' equity	10,381	6,814	20,691
	-----	-----	-----
Total liabilities and stockholders' equity	\$411,973	\$370,085	\$336,967
	=====	=====	=====

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.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2003	2002
	-----	-----
	(dollars in millions)	
Net cash provided by operating activities	\$13,079	\$12,876
Cash flows from investing activities		
Expenditures for property	(3,325)	(3,540)
Investments in marketable securities - acquisitions	(7,200)	(24,374)
Investments in marketable securities - liquidations	5,804	22,310
Net originations and purchases of mortgage servicing rights	(1,152)	(959)
Increase in finance receivables	(71,636)	(67,200)
Proceeds from sales of finance receivables	49,635	56,852
Operating leases - acquisitions	(6,728)	(7,053)
Operating leases - liquidations	5,668	5,016
Investments in companies, net of cash acquired	(70)	(274)
Proceeds from sale of business units	1,076	-
Other	(1,111)	205
	-----	-----
Net cash used in investing activities	(29,039)	(19,017)
	-----	-----
Cash flows from financing activities		
Net increase (decrease) in loans payable	825	(632)
Long-term debt - borrowings	42,622	18,473
Long-term debt - repayments	(17,803)	(11,407)
Repurchases of common and preference stocks	-	(97)

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Proceeds from issuing common stocks	-	69
Proceeds from sales of treasury stocks	-	19
Cash dividends paid to stockholders	(560)	(607)
	-----	-----
Net cash provided by financing activities	25,084	5,818
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	436	131
	-----	-----
Net increase (decrease) in cash and cash equivalents	9,560	(192)
Cash and cash equivalents at beginning of the period	21,449	18,555
	-----	-----
Cash and cash equivalents at end of the period	\$31,009	\$18,363
	=====	=====

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

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

SUPPLEMENTAL INFORMATION TO THE
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Automotive, Comm. Serv. and Other		Financing and Insurance	
	Six Months Ended June 30,			
	2003	2002	2003	2002
	----	----	----	----
	(dollars in millions)			
Net cash provided by operating activities	\$7,407	\$5,580	\$5,672	\$7,296
Cash flows from investing activities				
Expenditures for property	(2,941)	(3,494)	(384)	(46)
Investments in marketable securities - acquisitions	(2,839)	(802)	(4,361)	(23,572)
Investments in marketable securities - liquidations	100	578	5,704	21,732
Net originations and purchases of mortgage servicing rights	-	-	(1,152)	(959)
Increase in finance receivables	-	-	(71,636)	(67,200)
Proceeds from sales of finance receivables	-	-	49,635	56,852
Operating leases - acquisitions	-	-	(6,728)	(7,053)
Operating leases - liquidations	-	-	5,668	5,016
Investments in companies, net of cash acquired	(70)	(124)	-	(150)
Proceeds from sale of business units	1,076	-	-	-
Other	(175)	510	(936)	(305)

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Net cash used in investing activities	(4,849)	(3,332)	(24,190)	15,685
Cash flows from financing activities				
Net increase (decrease) in loans payable	(943)	(857)	1,768	225
Long-term debt - borrowings	4,060	6,186	38,562	12,287
Long-term debt - repayments	(236)	(183)	(17,567)	(11,224)
Repurchase of common and preference stocks	-	(97)	-	-
Proceeds from issuing common stocks	-	69	-	-
Proceeds from sales of treasury stocks	-	19	-	-
Cash dividends paid to stockholders	(560)	(607)	-	-
Net cash provided by financing activities	2,321	4,530	22,763	1,288
Effect of exchange rate changes on cash and cash equivalents				
	373	130	63	1
Net transactions with Automotive/Financing Operations	39	(919)	(39)	919
Net increase (decrease) in cash and cash equivalents	5,291	5,989	4,269	(6,181)
Cash and cash equivalents at beginning of the period	13,291	8,432	8,158	10,123
Cash and cash equivalents at end of the period	\$18,582	\$14,421	\$12,427	\$3,942

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.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Financial Statement Presentation

The accompanying unaudited 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

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period or for the full year. For further information, refer to the December 31, 2002 consolidated financial statements and notes thereto included in General Motors Corporation's (the Corporation, General Motors, or GM) 2002 Annual Report on Form 10-K, and all other GM, Hughes Electronics Corporation (Hughes), and General Motors Acceptance Corporation (GMAC) filings with the U.S. Securities and Exchange Commission.

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, fleet leasing, dealer financing, vehicle extended service contracts, residential and commercial mortgage services, vehicle and homeowners' insurance, and asset-based lending.

Certain amounts for 2002 were reclassified to conform with the 2003 classifications.

New Accounting Standards

Beginning January 1, 2003, the Corporation began expensing the fair market value of stock options newly granted to employees pursuant to Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. Such expense for the three and six months ended June 30, 2003 was \$11 million and \$24 million, net of tax, recorded in cost of sales and other expenses. For the three and six months ended June 30, 2002, as permitted by SFAS No. 123, GM applied the intrinsic value method of recognition and measurement under Accounting Principles Board Opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees," to its stock options and other stock-based employee compensation awards. No compensation expense related to employee stock options is reflected in net income for these periods, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of the grant.

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

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Financial Statement Presentation (continued)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2003	2002	2003	2002
	----	----	----	----
Net income, as reported	\$901	\$1,292	\$2,384	\$1,520
Add: stock-based compensation expense with respect to newly granted options, included in reported net income, net of related tax effects	11	-	24	-
Less: stock-based compensation expense determined with respect to all outstanding options, net of related tax effects	(49)	(82)	(106)	(176)
	---	-----	-----	-----
Pro forma net income	\$863	\$1,210	\$2,302	\$1,344
	===	=====	=====	=====
Earnings (losses) attributable to common stocks				
\$1-2/3 par value - as reported	\$884	\$1,389	\$2,408	\$1,715
- pro forma	864	1,338	2,367	1,610
Class H - as reported	\$17	\$(120)	\$(24)	\$(242)
- pro forma	(1)	(151)	(65)	(313)
Basic earnings (losses) per share attributable to common stocks				
\$1-2/3 par value - as reported	\$1.58	\$2.48	\$4.30	\$3.06
- pro forma	1.54	2.39	4.22	2.87
Class H - as reported	\$0.02	\$(0.14)	\$(0.02)	\$(0.27)
- pro forma	-	(0.17)	(0.06)	(0.36)
Diluted earnings (losses) per share attributable to common stocks				
\$1-2/3 par value - as reported	\$1.58	\$2.43	\$4.29	\$3.02
- pro forma	1.54	2.34	4.22	2.83
Class H - as reported	\$0.02	\$(0.14)	\$(0.02)	\$(0.27)
- pro forma	-	(0.17)	(0.06)	(0.36)

In December 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45). FIN 45 requires that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, 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. 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 5).

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

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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 special purpose entities (QSPEs) subject to the requirements of SFAS No. 140, 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.

Management is currently reviewing existing VIEs that may require consolidation. With respect to GM's ACO business, it is reasonably possible that certain VIEs with assets totaling approximately \$1.2 billion, established exclusively to facilitate GM's ACO leasing activities, 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 \$1.2 billion (\$740 million after-tax).

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Financial Statement Presentation (concluded)

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. Management has completed its analysis of its VIEs to determine if GMAC is the primary beneficiary and if consolidation is required effective July 1, 2003. Based on the results of this analysis, management anticipates that VIEs with approximately \$4.1 billion in assets will be consolidated on GMAC's balance sheet due to the implementation of FIN 46. GM's maximum exposure to loss related to these entities is approximately \$2.4 billion (\$1.5 billion after-tax) which primarily relates to retained interests in these facilities.

Due to the complexity and the evolving interpretations of the new guidance, management continues to assess the effects of FIN 46 on all of its interests in variable interest entities.

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

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

Note 2. Inventories

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

	June 30, 2003 -----	Dec. 31, 2002 -----	June 30, 2002 -----
Productive material, work in process, and supplies	\$4,885	\$4,915	\$5,211
Finished product, service parts, etc.	7,984	6,859	6,383
	-----	-----	-----
Total inventories at FIFO	12,869	11,774	11,594
Less LIFO allowance	1,776	1,807	1,837
	-----	-----	-----
Total inventories (less allowances)	\$11,093 =====	\$9,967 =====	\$9,757 =====

Note 3. Goodwill and Acquired Intangible Assets

The components of the Corporation's acquired intangible assets as of June 30, 2003, 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	\$304	\$10	\$294
Dealer network and subscriber base	356	202	154
	-----	-----	---
Total	660	212	448
Non-amortizing intangible assets:			
License fees - orbital slots			432

Total acquired intangible assets			880

Goodwill			7,041
Pension intangible asset			6,794

Total intangible assets			14,715

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 3. Goodwill and Acquired Intangible Assets (concluded)

Financing and Insurance Operations

Amortizing intangible assets:			
Customer lists and contracts	\$71	\$30	\$41
Trademarks and other	40	14	26

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Covenants not to compete	18	18	-
	---	--	---
Total	129	62	67
Total acquired intangible assets			67
Non-amortizing intangible assets:			
Goodwill			3,286

Total intangible assets			3,353
Total consolidated intangible assets			\$18,068
			=====

Estimated amortization expense in each of the next five years is as follows: 2004 - \$70 million; 2005 - \$47 million; 2006 - \$47 million; 2007 - \$47 million; and 2008 - \$43 million.

The changes in the carrying amounts of goodwill for the six months ended June 30, 2003, were as follows (dollars in millions):

For the Six Months Ended	GMNA	GME	(1) Other	(1) Hughes	Total ACO	GMAC	GM Total
June 30, 2003	----	---	-----	-----	-----	-----	-----
Balance as of December 31, 2002	\$139	\$338	\$57	\$6,458	\$6,992	\$3,273	\$10,265
Goodwill acquired during the period	16	-	-	3	19	6	25
Effect of foreign currency translation	-	30	-	-	30	14	44
Impairment losses	-	-	-	-	-	(7)	(7)
	---	---	---	---	---	---	---
Balance as of June 30, 2003	\$155	\$368	\$57	\$6,461	\$7,041	\$3,286	\$10,327
	===	===	==	=====	=====	=====	=====

(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.

Note 4. Product Warranty Liability

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

	Six Months Ended June 30, 2003	Twelve Months Months Ended Dec. 31, 2002
	-----	-----
Beginning balance	\$8,856	\$8,177
Payments	(2,132)	(4,182)
Increase in liability (warranties issued during period)	2,240	4,418
Adjustments to liability (pre-existing warranties)	(264)	323
Effect of foreign currency translation	65	120
	-----	-----
Ending balance	\$8,765	\$8,856
	=====	=====

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 5. Commitments and Contingent Matters

Commitments

GM has guarantees related to its performance under lease arrangements and the residual value of lease assets totaling \$1.5 billion. Expiration dates vary, and certain leases contain renewal options. The fair value of the underlying assets is expected to fully mitigate GM's obligations under these guarantees. Accordingly, no liabilities were recorded with respect to such guarantees.

The Corporation has guaranteed certain amounts related to the securitization of mortgage loans. In addition, GMAC issues financial standby letters of credit as part of their financing and mortgage operations. At June 30, 2003 approximately \$59 million was recorded with respect to these guarantees, the maximum exposure under which is approximately \$3.7 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 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.

In connection with certain divestitures prior to January 1, 2003, GM has provided guarantees with respect to benefits for former GM employees relating to income protection, pensions, post-retirement healthcare and life insurance. Due to the nature of these indemnities, the maximum exposure under these agreements cannot be estimated. No amounts have been recorded for such indemnities as the Corporation's obligations under them are not probable and estimable.

In addition to 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.

On March 18, 2003, DIRECTV Latin America, LLC (DLA LLC) filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (Bankruptcy Court). The filing does not include any of its operating companies in Latin America and the Caribbean, which will continue regular operations. DLA LLC continues to manage its business as a debtor-in-possession. As a debtor-in-possession, management is authorized to operate the business, but may not engage in transactions outside the ordinary course of business without Bankruptcy Court approval. Subsequent to the filing of its Chapter 11 petition,

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DLA LLC obtained Bankruptcy Court orders that, among other things, authorized DLA LLC to pay certain pre-petition obligations related to employee wages and benefits and to take certain actions where such payments or actions will benefit its estate or preserve the going concern value of the business enterprise, thereby enhancing the prospects of reorganization.

Investment in Fiat Auto Holdings

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

As discussed in GM's December 31, 2002 Annual Report on Form 10-K, the Master Agreement provides that, from January 24, 2004 to July 24, 2009, Fiat may seek to exercise a put option (the "Put") to require GM to purchase Fiat's FAH shares at fair market value. Whether and when Fiat may seek to exercise the Put is unknown, although Fiat, has recently stated in its 2002 Annual Report on Form 20F, filed with the U.S. Securities and Exchange Commission, that it views the exercise of the Put only as a secondary possibility. Fiat also stated in its Form 20F that it believes that the put is enforceable in accordance with the terms of the Master Agreement. GM believes, however, that whether the Put could ever be exercised is subject to the possibilities that it could be affected by subsequent agreements of the companies, it could be non-exercisable under other provisions of the Master Agreement, it could be unenforceable by reason of actions Fiat has taken or may take, or Fiat may choose to not exercise the Put.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 5. Commitments and Contingent Matters (concluded)

Investment in Fiat Auto Holdings (concluded)

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

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

If and when GM was to acquire Fiat's FAH shares, and thus become the sole owner of FAH, GM would decide what, if any, additional capitalization would then

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be appropriate for FAH and Fiat Auto. Specifically, if Fiat Auto were to need additional funding, GM would have to decide whether or not to provide such funding and under what conditions it might do so.

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

GM and Fiat have discussed potential alternatives to the Master Agreement, and further discussions regarding the status of the Master Agreement are planned.

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 were required to transform the concepts detailed in the directive into national law. 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. Management is assessing the impact of this potential legislation on GM's consolidated financial position and results of operations, and may include charges to earnings in future periods.

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. In order to implement both the new regulatory changes as well as desired commercial strategies, General Motors Europe (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 certain dealers 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 results of operations.

Note 6. Comprehensive Income

GM's total comprehensive income was as follows (dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	----	----	----	----
Net income	\$901	\$1,292	\$2,384	\$1,520
Other comprehensive income	386	148	497	21
	-----	-----	-----	-----
Total	\$1,287	\$1,440	\$2,881	\$1,541
	=====	=====	=====	=====

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(Unaudited)

Note 7. 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	----	----	----	----
Earnings (losses) attributable to common stocks				
Earnings attributable to \$1-2/3 par value	\$884	\$1,389	\$2,408	\$1,715
Earnings (losses) attributable to Class H	\$17	\$(120)	\$(24)	\$(242)

Earnings attributable to GM \$1-2/3 par value common stock for the period represent the earnings attributable to all GM common stocks, adjusted by the earnings / (losses) attributable to GM Class H common stock for the respective period.

Earnings (losses) attributable to GM Class H common stock for the six month period ended June 30, 2002 represent the net income (loss) of Hughes, adjusted to exclude the write-off of goodwill for DIRECTV Latin America and DIRECTV Broadband recorded in Hughes' stand alone financial statements and other adjustments. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," GM as of January 1, 2002 evaluated the carrying value of goodwill associated with its Direct-to-Home Broadcast reporting unit in the aggregate and determined the goodwill was not impaired. In addition, the adjusted losses are reduced by the amount of dividends accrued on the Series A Preferred Stock of Hughes (as an equivalent measure of the effect that GM's payment of dividends on the GM Series H 6.25% Automatically Convertible Preference Stock would have if paid by Hughes).

The calculated earnings (losses) are then multiplied by a fraction, the numerator of which is equal to the weighted-average number of shares of GM Class H common stock outstanding (1,108 million and 884 million during the three months ended June 30, 2003 and 2002, respectively, and 1,049 million and 881 million during the six months ended June 30, 2003 and 2002, 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 1.4 billion and 1.3 billion for the three months ended June 30, 2003 and 2002, and for the six months ended June 30, 2003 and 2002, respectively.

In addition, the denominator used 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. From time to time, in anticipation of exercises of stock options, Hughes may purchase GM Class H common stock from the open market. Upon purchase, these shares are

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retired and therefore decrease the numerator and denominator of the fraction referred to above.

On March 12, 2003, GM contributed 149.2 million shares of GM Class H common stock valued at approximately \$1.24 billion to certain of its U.S. employee benefit plans. The contribution increased the amount of GM Class H common stock held by GM's employee benefit plans to approximately 331 million shares and reduced GM's retained economic interest in Hughes to approximately 19.9% from 30.7%.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 7. Earnings Per Share Attributable to Common Stocks (continued)

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	Income/ (Loss)	Shares	Per Share Amount
Three Months Ended June 30, 2003						
Income	\$884			\$17		
Less: Dividends on preference stocks	-			-		
	---			--		
Basic EPS						
Income attributable to common stocks	\$884	561	\$1.58 =====	\$17	1,108	\$0.02 =====
Effect of Dilutive Securities						
Assumed exercise of dilutive stock options	-	-		-	3	
	---	---		---	-----	
Diluted EPS						
Adjusted income attributable to common stocks	\$884	561	\$1.58 =====	\$17	1,111	\$0.02 =====
	===	===		==	=====	
Three Months Ended June 30, 2002						
Income (loss)	\$1,397			\$(105)		
Less: Dividends on preference stocks	8			15		
	-----			---		
Basic EPS						
Income (loss) attributable to common stocks	1,389	560	\$2.48 =====	\$(120)	884	\$(0.14) =====
Effect of Dilutive Securities						

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Assumed exercise of dilutive stock options	-	12		-	-	
	-----	---		----	----	
stock options						
Diluted EPS						
Adjusted income (loss) attributable to common stocks	\$1,389	572	\$2.43	\$(120)	884	\$(0.14)
	=====	===	=====	=====	===	=====
Six Months Ended June 30, 2003						
Income (loss)	\$2,408			\$(24)		
Less: Dividends on preference stocks	-			-		
	-----			--		
Basic EPS						
Income (loss) attributable to common stocks	\$2,408	561	\$4.30	\$(24)	1,049	\$(0.02)
			=====			=====
Effect of Dilutive Securities						
Assumed exercise of dilutive stock options	-	-		-	-	
	-----	---		---	-----	
Diluted EPS						
Adjusted income (loss) attributable to common stocks	\$2,408	561	\$4.29	\$(24)	1,049	\$(0.02)
	=====	===	=====	===	=====	=====
Six Months Ended June 30, 2002						
Income (loss)	\$1,730			\$(210)		
Less: Dividends on preference stocks	15			32		
	-----			----		
Basic EPS						
Income (loss) attributable to common stocks	\$1,715	560	\$3.06	\$(242)	881	\$(0.27)
			=====			=====
Effect of Dilutive Securities						
Assumed exercise of dilutive stock options	-	8		-	-	
	-----	---		----	----	
Diluted EPS						
Adjusted income (loss) attributable to common stocks	\$1,715	568	\$3.02	\$(242)	881	\$(0.27)
	=====	===	=====	=====	===	=====

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

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 7. Earnings Per Share Attributable to Common Stocks (concluded)

The number of shares issuable pursuant to stock options and convertible securities not included in the computation of diluted earnings per share as discussed above was as follows:

	\$1-2/3 Par Value Common Stock	Class H Common Stock
Three Months Ended June 30, 2003	100,950,280	90,272,717
Three Months Ended June 30, 2002	73,055,706	96,537,709
Six Months Ended June 30, 2003	100,141,277	94,108,876
Six Months Ended June 30, 2002	74,759,302	96,868,939

Note 8. Depreciation and Amortization

Depreciation and amortization included in Cost of sales and other expenses for Automotive, Communications Services, and Other Operations was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	----	----	----	----
Depreciation	\$1,342	\$1,143	\$2,578	\$2,275
Amortization of special tools	651	622	1,353	1,251
Amortization of intangible assets	24	-	48	3
	-----	-----	-----	-----
Total	\$2,017	\$1,765	\$3,979	\$3,529
	=====	=====	=====	=====

Note 9. Hughes Transaction

On April 9, 2003, GM, Hughes and The News Corporation Limited (News Corporation) announced the signing of definitive agreements that provide for, among other things, the split-off of Hughes from GM and the simultaneous sale of GM's approximately 19.8% economic interest in Hughes to News Corporation for \$14 per share, or approximately \$3.8 billion. GM would receive approximately \$3.1 billion in cash with the remainder payable in News Corporation preferred American Depositary Shares (News Corporation ADSs) and/or cash at News Corporation's election. News Corporation would acquire an additional 14.2% stake in Hughes from the holders of GM Class H common stock through a mandatory exchange of a portion of their Hughes common stock received in the split-off, which would provide News Corporation with a total of 34% of the then outstanding capital stock of Hughes. In addition, GM would receive a cash dividend from Hughes of \$275 million in connection with the transactions. This dividend is expected to be paid by Hughes through available cash balances.

Under the terms of the proposed transactions, holders of GM Class H common stock would first exchange their shares for Hughes common stock on a

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share-for-share basis in the split-off, followed immediately by an exchange of approximately 17.7% of the Hughes common stock they receive in the split-off for approximately \$14 per share in News Corporation ADSs and/or cash. The number of News Corporation ADSs payable to GM and Hughes common stockholders, based on a fixed-price of \$14 per Hughes share, will be adjusted within a collar range of 20% above or below the News Corporation ADS price of \$22.40. This mandatory exchange of about 17.7% of the shares of Hughes common stock for News Corporation ADSs and/or cash would be taxable to the Hughes common stockholders at the time. The transactions are structured in a manner that will not result in the recapitalization of GM Class H common stock into GM \$1-2/3 par value common stock at a 120% exchange ratio, as currently provided for under certain circumstances in the General Motors Restated Certificate of Incorporation, as amended.

If the transactions are completed, Rupert Murdoch, chairman and chief executive officer of News Corporation, would become chairman of Hughes, and Chase Carey, who is currently serving as an advisor to News Corporation, would become president and chief executive officer of Hughes. Eddy Hartenstein, Hughes senior executive vice president, would be named vice chairman of Hughes. Hughes would have 11 directors, the majority of which would be independent directors.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 9. Hughes Transaction (concluded)

The transactions are subject to a number of conditions, including, among other things, obtaining U.S. antitrust and Federal Communications Commission approvals, approval by a majority of each class of GM stockholders - GM \$1-2/3 and GM Class H - voting both as separate classes and together as a single class and a favorable ruling from the Internal Revenue Service that the split-off of Hughes from GM would be tax-free to GM and its stockholders for U.S. federal income tax purposes. No assurances can be given that the approvals will be obtained or the transactions will be completed. The financial and other information regarding Hughes contained in this Quarterly Report do not give any effect to or make any adjustment for the anticipated completion of the transactions.

During April 2003, the Hughes Board of Directors approved the reclassification of the outstanding Hughes Series B convertible preferred stock into Hughes Class B common stock of equivalent value, and a subsequent stock split of Hughes common stock and Hughes Class B common stock through dividends of additional shares. GM, in its capacity as the holder of all outstanding Hughes capital stock, approved the reclassification. Shortly thereafter, GM converted some of its Hughes common stock into an equivalent number of shares of Hughes Class B common stock. As a result of these transactions, Hughes currently has 1,207,518,237 shares of Hughes common stock and 274,373,316 shares of Hughes Class B common stock issued and outstanding, all of which are owned by GM. The terms of the Hughes common stock and Hughes Class B common stock are identical in all respects (with the exception of provisions regarding stock-on-stock dividends) and, at the option of the holder, the Hughes common stock may be converted at any time into Hughes Class B common stock and vice versa. These transactions had no impact on the outstanding number of shares of GM Class H common stock or the Class H dividend base. In connection with the News Corporation transactions, GM Class H common stock will be exchanged for Hughes

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common stock, and the Hughes Class B common stock will be sold by GM to News Corporation. Immediately after the completion of the News Corporation transactions, all of the shares of Hughes Class B common stock held by News Corporation will be converted into Hughes common stock.

Upon completion of the Hughes split-off and sale transactions, GM will record the exchange of Hughes common stock for all the outstanding shares of GM Class H common stock in the Hughes split-off share exchange at book value.

Simultaneously with the Hughes split-off, based on certain assumptions, GM will sell all of its retained economic interest in Hughes (in the form of the Hughes Class B common stock) to News Corporation for approximately \$3.1 billion in cash and up to an additional approximately \$770 million in News Corporation ADSs and/or cash, subject to adjustment based on the collar mechanism. Based on a price of \$14.00 per share of GM Class H common stock, the net book value of Hughes at March 31, 2003, and certain other assumptions, the transactions would have resulted in a gain of approximately \$1.2 billion, net of tax. In addition, GM currently anticipates that as a result of the transactions, there will be a net reduction of GM stockholders' equity of approximately \$7.1 billion.

The financial results of Hughes for all periods prior to the completion of the transactions will be reported as discontinued operations in GM's consolidated financial statements upon: (1) the receipt of the requisite GM common stockholder approval of all proposals relating to the transactions; and, (2) the satisfaction of all regulatory related conditions to the transactions.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 10. Segment Reporting

GM's reportable operating segments within its ACO business consist of General Motors 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, and Other. GM's reportable operating segments within its FIO business consist of GMAC and Other. Selected information regarding GM's reportable operating segments were as follows (dollars in millions):

	GMNA	GME	GMLAAM	GMAP	GMA	Hughes	Other	ACO
	----	---	-----	----	---	-----	-----	---
For the Three Months Ended June 30, 2003	(dollars in millions)							
Manufactured products sales and revenues:								
External customers	\$29,034	\$7,064	\$984	\$1,165	\$38,247	\$2,385	\$100	\$40,732
Intersegment	(476)	239	135	102	-	4	(4)	-
	-----	-----	-----	-----	-----	-----	-----	-----
Total manufactured								

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products	\$28,558	\$7,303	\$1,119	\$1,267	\$38,247	\$2,389	\$96	\$40,732
	=====	=====	=====	=====	=====	=====	==	=====
Interest income (a)	\$133	\$68	\$4	\$1	\$206	\$16	\$ (105)	\$117
Interest expense	\$325	\$100	\$26	\$1	\$452	\$84	\$ (134)	\$402
Net income (loss)	\$83	\$ (3)	\$ (103)	\$163	\$140	\$22	\$ (104)	\$58
Segment assets (b)	\$113,010	\$21,509	\$3,093	\$2,255	\$139,867	\$20,313 (c)	\$ (7,262)	\$152,918

For the Three Months
Ended June 30, 2002

Manufactured products sales
and revenues:

External customers	\$31,029	\$5,741	\$1,233	\$1,009	\$39,012	\$2,237	\$469	\$41,718
Intersegment	(453)	260	73	120	-	4	(4)	-
	-----	-----	-----	-----	-----	-----	---	-----
Total manufactured products	\$30,576	\$6,001	\$1,306	\$1,129	\$39,012	\$2,241	\$465	\$41,718
	=====	=====	=====	=====	=====	=====	===	=====
Interest income (a)	\$166	\$67	\$5	\$3	\$241	\$8	\$ (101)	\$148
Interest expense	\$268	\$42	\$30	\$2	\$342	\$123	\$ (163)	\$302
Net income (loss)	\$1,277	\$ (170)	\$ (73)	\$39	\$1,073	\$ (156)	\$ (57)	\$860
Segment assets (b)	\$98,670	\$19,299	\$3,655	\$1,340	\$122,964	\$19,193 (c)	\$ (5,098)	\$137,059

See notes on next page.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 10. Segment Reporting (concluded)

	GMNA	GME	GMLAAM	GMAP	GMA	Hughes	Other	ACO
	----	---	-----	-----	---	-----	-----	---
For the Six Months Ended June 30, 2003	(dollars in millions)							
Manufactured products sales and revenues:								
External customers	\$59,505	\$13,421	\$1,917	\$2,181	\$77,024	\$4,608	\$1,142	\$82,774
Intersegment	(984)	504	247	233	-	8	(8)	-
	-----	-----	-----	-----	-----	-----	-----	-----
Total manufactured products	\$58,521	\$13,925	\$2,164	\$2,414	\$77,024	\$4,616	\$1,134	\$82,774
	=====	=====	=====	=====	=====	=====	=====	=====
Interest income (a)	\$244	\$150	\$11	\$2	\$407	\$22	\$ (236)	\$193
Interest expense	\$636	\$191	\$43	\$3	\$873	\$165	\$ (315)	\$723

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Net income (loss)	\$631	\$(68)	\$(115)	\$238	\$686	\$(32)	\$205	\$859
For the Six Months								
Ended June 30, 2002								
Manufactured products sales								
and revenues:								
External customers	\$60,772	\$11,125	\$2,483	\$1,913	\$76,293	\$4,244	\$954	\$81,491
Intersegment	(857)	460	124	273	-	9	(9)	-
	-----	-----	-----	-----	-----	-----	---	-----
Total manufactured products	\$59,915	\$11,585	\$2,607	\$2,186	\$76,293	\$4,253	\$945	\$81,491
	=====	=====	=====	=====	=====	=====	===	=====
Interest income (a)	\$250	\$131	\$12	\$5	\$398	\$12	\$(189)	\$221
Interest expense	\$382	\$121	\$58	\$4	\$565	\$199	\$(300)	\$464
Net income (loss)	\$1,931	\$(702)	\$(113)	\$46	\$1,162	\$(312) (d)	\$(199)	\$651

- (a) Interest income is included in net sales and revenues from external customers.
- (b) Total GM assets exclude net payable/receivable between ACO and FIO of \$1.1 billion and \$638 million as of June 30, 2003 and 2002, respectively.
- (c) The amount reported for Hughes excludes a write-off of \$739 million that was recorded in the first quarter of 2002 by Hughes in its stand-alone financial statements for goodwill impairments at DIRECTV Latin America and DIRECTV Broadband, and other adjustments. 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.
- (d) Amount for Hughes excludes the cumulative effect of accounting change recorded by Hughes in their stand alone financial statements as of January 1, 2002 related to the implementation of SFAS No. 142.

* * * * *

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 11. Subsequent Events

On July 15, 2003, Hughes and The Boeing Company (Boeing) settled all matters related to the previously reported dispute arising out of the 2000 sale by Hughes of its satellite systems manufacturing businesses to Boeing. Under the terms of the agreement, Hughes settled all outstanding purchase price adjustment disputes with Boeing and paid an aggregate \$360 million in cash on July 18, 2003 in satisfaction of both the disputed and undisputed portions of the purchase price adjustment. Boeing also will be released from its commitment to pay Hughes

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\$4.4 million over the next seven years in connection with Boeing's participation in the settlement with the U.S. Department of State on China launch issues of the mid-1990s. Also in connection with the settlement, Hughes Network Systems agreed to extend the scheduled launch date for the first Boeing built Spaceway satellite from the fourth quarter of 2003 until February 2004.

In July, 2003 GM completed issuances of approximately \$13.5 billion in GM senior notes and convertible debentures and approximately \$4.4 billion in short-term GMAC senior notes and debt.

The offerings include \$4.3 billion of GM Series C convertible debentures with an annual coupon rate of 6.25% due July 15, 2033. The debentures can be converted into GM \$1-2/3 par value common stock, subject to the terms of the conversion rights as described in the prospectus supplement, at a conversion price of \$47.62 per share, which is equal to a conversion rate of 0.525 shares per \$25.00 principal amount of Series C debentures, subject to adjustment.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

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

The following management's discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with General Motors Corporation's (the Corporation, General Motors, or GM) December 31, 2002 consolidated financial statements and notes thereto included in the 2002 Annual Report on Form 10-K, along with the MD&A included in GM's Current Report on Form 8-K dated June 6, 2003, and all other GM, Hughes Electronics Corporation (Hughes), and General Motors Acceptance Corporation (GMAC) filings with the U.S. Securities and Exchange Commission. All earnings per share amounts included in the MD&A are reported as diluted.

GM presents separate 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, 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.

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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) and certain expenses (primarily certain U.S. taxes related to non-U.S. operations) were included in the ACO segment. 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 on a GAAP basis, may be materially different.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Vehicle Unit Sales (1)

	Three Months Ended June 30,					
	2003			2002		
	Industry	GM	GM as a % of Industry	Industry	GM	GM as a % of Industry
	(units in thousands)					
GMNA						
United States						
Cars	2,074	515	24.8%	2,245	590	26.3%
Trucks	2,467	751	30.4%	2,332	694	29.8%
	-----	-----		-----	-----	
Total United States	4,541	1,266	27.9%	4,577	1,284	28.1%
Canada, Mexico, and Other	768	179	23.3%	825	208	25.2%
	---	---		---	---	
Total GMNA	5,309	1,445	27.2%	5,402	1,492	27.6%
GME	5,075	477	9.4%	5,154	471	9.1%
GMLAAM	805	127	15.7%	925	143	15.4%
GMAP	3,725	184	4.9%	3,615	178	4.9%
	-----	-----		-----	-----	
Total Worldwide	14,914	233	15.0%	15,096	2,284	15.1%
	=====	=====		=====	=====	

Six Months Ended June 30,

	Six Months Ended June 30,					
	2003			2002		
	Industry	GM	GM as a % of Industry	Industry	GM	GM as a % of Industry

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(units in thousands)

GMNA						
United States						
Cars	3,895	969	24.9%	4,144	1,060	25.6%
Trucks	4,467	1,315	29.4%	4,433	1,354	30.5%
	-----	-----		-----	-----	
Total United States	8,362	2,284	27.3%	8,577	2,414	28.1%
Canada, Mexico, and Other	1,421	331	23.3%	1,503	388	25.8%
	-----	---		-----	-----	
Total GMNA	9,783	2,615	26.7%	10,080	2,802	27.8%
GME	10,033	951	9.5%	10,227	937	9.2%
GMLAAM	1,613	254	15.8%	1,832	281	15.3%
GMAP	7,875	350	4.4%	7,232	335	4.6%
	-----	---		-----	-----	
Total Worldwide	29,304	4,170	14.2%	29,371	4,355	14.8%
	=====	=====		=====	=====	

Wholesale Sales (2)

	Three Months Ended June 30,		Six Months Ended June 30,	
	-----	-----	-----	-----
	2003	2002	2003	2002
	----	----	----	----
	(units in thousands)			
GMNA				
Cars	589	704	1,187	1,316
Trucks	844	853	1,684	1,603
	-----	-----	-----	-----
Total GMNA	1,433	1,557	2,871	2,919
	-----	-----	-----	-----
GME				
Cars	424	418	824	813
Trucks	23	19	49	48
	---	---	---	---
Total GME	447	437	873	861
	---	---	---	---
GMLAAM				
Cars	96	112	192	223
Trucks	26	47	51	91
	---	---	---	---
Total GMLAAM	122	159	243	314
	---	---	---	---
GMAP				
Cars	84	47	172	94
Trucks	55	39	110	100
	---	---	---	---
Total GMAP	139	86	282	194
	---	---	---	---
Total Worldwide	2,141	2,239	4,269	4,288
	=====	=====	=====	=====

See notes on next page.

(1) GM vehicle unit sales represent the transfer of vehicle ownership from

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GM's initial customer (e.g. a dealer) to a final customer (e.g. a retail consumer). These vehicles are manufactured by GM or manufactured by GM's affiliates and sold either under a GM nameplate 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.

- (2) Wholesale sales represent the transfer of vehicle ownership from GM to its initial customer (e.g. a dealer). These vehicles are manufactured by GM and certain affiliates and distributed through a GM-owned distribution network.

GMA Financial Review

GMA's net income was \$140 million for the second quarter of 2003, compared with net income of \$1.1 billion for the prior year quarter. For the six months ended June 30, 2003, net income was \$686 million, compared with \$1.2 billion for the prior year six month period. The decrease in second quarter and year-to-date net income resulted from lower wholesale sales, continued pricing pressures in North America and Europe, increased pension and other postretirement employee benefit costs (OPEB) expense in the U.S, and unfavorable foreign exchange, partially offset by continued favorable mix, material cost savings and other cost savings.

GMNA's net income was \$83 million for the second quarter of 2003, compared with net income of \$1.3 billion for the prior year quarter. For the six months ended June 30, 2003, net income was \$631 million compared with \$1.9 billion for the prior year six month period. The decrease in GMNA's second quarter and year-to-date 2003 net income was primarily the result of lower wholesale sales, intense pricing pressure, increased pension and OPEB expense, and higher currency-exchange losses versus the year-ago period, which more than offset improvements in sales mix, material cost, and a reduction in policy and warranty reserves due to improved quality performance. Vehicle revenue per unit was \$18,565 for the second quarter of 2003, compared with \$18,385 for the prior year quarter.

On May 8, 2003, a tornado struck GM's Oklahoma City Car Assembly plant causing severe damage. The tornado destroyed a portion of the plant's paint shop, a powerhouse, and cooling towers and also caused damage to an adjoining body shop. About 600 newly assembled sport-utility vehicles were damaged, as were numerous employee vehicles in parking lots surrounding the facility. Management's estimate of the cost of damage and loss of production in the second quarter of 2003 was \$168 million after-tax, or \$0.30 per diluted share. Approximately seven weeks later, on June 30, 2003, GM resumed production at the plant.

GME's net loss was \$3 million for the second quarter of 2003, compared with a net loss of \$170 million for the prior year quarter. For the six months ended June 30, 2003, GME's net loss was \$68 million compared with \$702 million for the prior six month period. The decrease in the second quarter and year-to-date 2003 loss was primarily due to structural and material cost reduction, increased wholesale sales volumes, and improved mix, which were partially offset by unfavorable foreign exchange, primarily at Saab. In addition, included in the 2002 net loss was a charge of \$55 million related to the enacted end-of-life vehicle legislation in the second quarter of 2002, and a charge of \$407 million related to the implementation of Project Olympia, in the first quarter of 2002.

GMLAAM's net loss was \$103 million for the second quarter of 2003, compared with a net loss of \$73 million for the prior year quarter. For the six months ended June 30, 2003, the net loss was \$115 million compared with a net loss of \$113 million for the prior six month period. The increase in net loss for the second quarter 2003 was primarily due to lower wholesale sales as a result of the continuing economic weakness in Brazil and Venezuela. The increase in net loss for the six month period ended June 30, 2003 compared to the prior six month period was also due to continued economic weakness in Brazil and Venezuela and lower sales volume, offset by greater exchange stability.

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GMAP's net income was \$163 million for the second quarter of 2003, compared with net income of \$39 million for the prior year quarter. For the six months ended June 30, 2003, net income was \$238 million compared with \$46 million for the prior six month period. The increase in net income for the second quarter and year-to-date 2003 was primarily due to strong financial results at Holden, along with improved equity earnings from Shangahi GM, Suzuki Motor Corporation (Suzuki) and Fuji Heavy Industries Ltd., partially offset by equity losses at GM Daewoo Auto & Technology Company (GM Daewoo).

Hughes Financial Review

Total net sales and revenues increased to \$2.4 billion for the second quarter of 2003 and \$4.6 billion for the first six months of 2003, compared with \$2.2 billion and \$4.3 billion for the comparable periods in 2002. The increase in net sales and revenues for the second quarter of 2003 and the first six months of 2003 resulted primarily from increased revenues at DIRECTV(R) U.S. due to growth in subscriber base and higher monthly revenue per subscriber, and increased revenues at Hughes Network Systems (HNS) due to higher sales in the set-top box and broadband consumer businesses. These increases were partially offset by \$55 million of revenues associated with the 2002 World Cup at DIRECTV Latin America (DLA).

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Hughes Financial Review (concluded)

Hughes' net income was \$22 million for the second quarter of 2003 compared to a net loss of \$156 million for the same period of 2002. Hughes net loss for the six months ended June 30, 2003 totaled \$32 million compared to \$312 million for the first six months of 2002. The change in net loss for the second quarter of 2003 and the first six months of 2003 was primarily due to additional margins from the higher revenues at DIRECTV U.S. and HNS, reduced expenses resulting from cost savings initiatives and the \$75 million loss at DLA from the 2002 World Cup. These favorable factors were partially offset by a \$37 million pre-tax gain in the second quarter of 2002 resulting from the resolution of remaining claims associated with the exit from the DIRECTV Japan business. In addition, included in the first quarter and the first six months of 2002 was an after-tax charge of \$51 million for a contractual dispute associated with a General Electrical Capital Corporation (GECC) contract and an after-tax gain of \$59 million for the favorable resolution of a lawsuit filed against the U.S. government by Hughes on the National Aeronautics and Space Administration's breach of contract to launch 10 satellites on the space shuttle.

On March 18, 2003, DIRECTV Latin America, LLC (DLA LLC) filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (Bankruptcy Court). The filing does not include any of its operating companies in Latin America and the Caribbean, which will continue regular operations. DLA LLC continues to manage its business as a debtor-in-possession. As a debtor-in-possession, management is authorized to operate the business, but may not engage in transactions outside the ordinary course of business without Bankruptcy Court approval. Subsequent to the filing of its Chapter 11 petition, DLA LLC obtained Bankruptcy Court orders that, among other things, authorized DLA LLC to pay certain pre-petition obligations related to employee wages and benefits and to take certain actions where such payments or actions will benefit its estate or preserve the going concern value of the business enterprise, thereby enhancing the prospects of reorganization.

Sale of GM Defense Business

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For the six months ended June 30, 2003, other ACO operations included a pre-tax gain of approximately \$814 million, or approximately \$505 million after-tax (\$0.90 per diluted share of GM \$1-2/3 par value common stock), recorded in net sales and revenues in GM's Consolidated Statements of Income related to the sale of GM's Defense operations (light armored vehicle business) to General Dynamics Corporation on March 1, 2003. The sale also generated net proceeds of approximately \$1.1 billion in cash.

GMAC Financial Review

GMAC's net income was \$834 million and \$431 million for the second quarter ended June 30, 2003 and 2002, respectively and net income for the six month periods ended June 30, 2003 and 2002 was \$1.5 billion and \$870 million, respectively.

(Dollars in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	----	----	----	----
Financing operations	\$396	\$347	\$698	\$602
Mortgage operations	415	58	786	206
Insurance operations	23	26	49	62
	----	----	-----	----
Net income	\$834	\$431	\$1,533	\$870
	===	===	=====	===

Income from financing operations was \$396 million for the second quarter of 2003, compared with income of \$347 million for the prior year quarter. Income for the first six months of 2003 from financing operations totaled \$698 million, compared with income of \$602 million for the first six months in the prior year. For the second quarter 2003 the increase reflects lower credit loss provisions, which more than offset the unfavorable impact of lower net interest margins and continued weakness in lease termination values.

Income from mortgage operations was \$415 million for the second quarter of 2003, compared with income of \$58 million for the prior year quarter. Income for the first six months of 2003 from mortgage operations totaled \$786 million, compared with income of \$206 million for the first six months in the prior year. Mortgage operations' record quarter earnings reflected exceptionally strong origination volume in the residential sector and continued strong results at commercial mortgage operations. Earnings were up \$357 million compared to the second quarter last year, when results were negatively impacted by considerably higher write-downs of mortgage servicing rights.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

GMAC Financial Review (concluded)

Income from insurance operations was \$23 million for the second quarter of 2003, compared with income of \$26 million for the prior year quarter. Income for the first six months of 2003 from insurance operations totaled \$49 million, compared with income of \$62 million for the first six months in the prior year. While underwriting income increased for the second quarter 2003, earnings were adversely affected by a write-down of certain investment securities issues that have not sufficiently recovered in value during the recent strengthening in

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equity markets.

LIQUIDITY AND CAPITAL RESOURCES

Financing Structure

In the second quarter of 2003, GM and GMAC experienced adequate access to the capital markets as GM and GMAC were able to issue various securities to raise capital and extend borrowing terms consistent with GM's need for financial flexibility. On April 9, 2003 Standard & Poor's affirmed GM and GMAC's ratings at BBB, but changed its rating outlook to negative, from stable. On April 22, 2003 Dominion Bond Rating Service (DBRS) downgraded GM's and GMAC's senior debt rating from A to A (low) and at the same time, confirmed the commercial paper rating at R-1 (low) with a stable outlook. On June 13, 2003, Moody's lowered GM's long-term rating to Baal from A3 and GMAC's to A3 from A2 with a rating outlook of negative. Moody's also reduced GMAC's short-term rating to Prime-2 from Prime-1. On June 19, 2003, Fitch downgraded GM's and GMAC's long-term debt rating to BBB+ from A- and confirmed the commercial paper rating at F2 with a rating outlook of negative. These ratings actions are not expected to have a significant adverse effect on GM's and GMAC's ability to obtain bank credit or to sell asset-backed securities. Refer to the table below for a summary of GM's and GMAC's credit ratings.

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

GM's and GMAC's access to the capital markets remained sufficient to meet the Corporation's capital needs. GM completed issuances of approximately \$13.5 billion in GM senior notes and convertible debentures and approximately \$4.4 billion in short-term GMAC senior notes and debt in a single event financing in the beginning of the third quarter of 2003. GM expects that substantially all of the \$13.5 billion of proceeds of the GM senior notes and convertible debentures issued will be used to partially fund certain of GM's U.S. pension funds and certain other retiree benefit obligations. GM expects to make significant cash contributions to these funds by late 2003. GM and GMAC expect that they will continue to have adequate access to the capital markets sufficient to meet the corporations 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 2008. In addition, GM has an additional \$3.2 billion in committed facilities with various maturities and uncommitted lines of credit of \$2.7 billion. Similarly, GMAC currently has a \$4.2 billion syndicated line of credit committed through June 2004, \$4.4 billion committed through June 2008, \$4.3 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 \$19.2 billion of liquidity facilities committed through June 2004. Mortgage Interest Networking Trust (MINT) has \$3.4 billion of liquidity facilities committed through April 2004. NCAT and MINT are non-consolidated limited purpose statutory trusts, which are structured as qualifying special purpose entities (QSPEs), established to issue asset-backed commercial paper (See Off Balance Sheet Arrangements).

Automotive, Communications Services, and Other Operations

At June 30, 2003, cash, marketable securities, and \$3.4 billion of assets of the Voluntary Employees' Beneficiary Association (VEBA) trust invested in

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fixed-income securities totaled \$26.9 billion, compared with cash, marketable securities, and \$3.0 billion of assets of the VEBA trust invested in fixed-income securities totaling \$18.5 billion at December 31, 2002 and \$18.4 billion at June 30, 2002. The increase from December 31, 2002 was primarily due to earnings from automotive operations, sale of the GM Defense business in the first quarter of 2003, and net debt issuances totaling \$3.5 billion in the first six months of 2003 by GM and Hughes. Total assets in the VEBA trust used to pre-fund part of GM's other postretirement benefits liability approximated \$6.7 billion at June 30, 2003, compared with \$5.8 billion at December 31, 2002 and \$6.0 billion at June 30, 2002. Strong cash flows from operations in the first six months of 2003 enabled GM to make a cash contribution of \$3.0 billion to its VEBA trust on August 6, 2003.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Automotive, Communications Services, and Other Operations (concluded)

Long-term debt was \$20.5 billion at June 30, 2003, compared with \$16.7 billion at December 31, 2002 and \$16.8 billion at June 30, 2002. The ratio of long-term debt to long-term debt and GM's net assets of Automotive, Communications Services, and Other Operations was 173.8% at June 30, 2003, compared with 267.0% at December 31, 2002 and 80.2% at June 30, 2002. The ratio of long-term debt and short-term loans payable to the total of this debt and GM's net assets of Automotive, Communications Services, and Other Operations was 169.6% at June 30, 2003, compared with 234.3% at December 31, 2002 and 81.5% at June 30, 2002.

Net liquidity, calculated as cash, marketable securities, and \$3.4 billion of assets of the VEBA trust invested in fixed-income securities less the total of loans payable and long-term debt, was \$5.7 billion at June 30, 2003, compared with \$298 million, including \$3.0 billion of assets of the VEBA, at December 31, 2002 and \$59 million, including \$3.0 billion of assets of the VEBA, at June 30, 2002.

In order to provide financial flexibility to GM and its suppliers, GM maintains a trade payables program through GECC under which GECC pays participating GM suppliers the amount due from GM in advance of the original due date. In exchange for the earlier payment, these suppliers accept a discounted payment. On the original due date of the payables, GM pays GECC the full amount. At June 30, 2003 GM owed approximately \$957 million to GECC under this program, which is classified as accounts payable in GM's financial statements. In addition, GM has the right under the agreement to defer payment to GECC with respect to all or a portion of receivables which it has paid on behalf of GM. The deferral period ranges from 10 days to 40 days and would also be classified as accounts payable in GM's financial statements. Deferred payments are subject to interest during the deferral period. As of June 30, 2003, GM had not elected to defer payment on any such payables. 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, with a negative outlook (GM's current rating is Baa1, with a negative outlook) or below Baa3, the program would be unavailable to GM and its suppliers. GM does not anticipate that discontinuance of the availability of the GECC program would result in a material disruption to the supply of parts and materials to GM, nor would it have a material adverse effect on GM's financial position, results of operations or cash flows. The maximum amount permitted under the program is \$2.0 billion.

Financing and Insurance Operations

At June 30, 2003, GMAC's consolidated assets totaled \$258.6 billion, compared

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with \$227.7 billion at December 31, 2002 and \$199.8 billion at June 30, 2002. The increase from December 31, 2002 was primarily the result of an increase in earning assets such as finance receivables and loans. The continued use of GM sponsored special rate financing programs, combined with an increased use of securitizations structured as financing transactions (primarily in mortgage operations) resulted in an increase in consumer finance receivables and loans. Additional asset growth was the result of an increase in wholesale receivables outstanding due to higher dealer inventories.

Consistent with the growth in assets, GMAC's total debt increased to \$210.2 billion at June 30, 2003, compared with \$183.1 billion at December 31, 2002 and \$157.8 billion at June 30, 2002. GMAC's liquidity, as well as its ability to profit from ongoing activity, is in large part dependent upon its timely access to capital and the costs associated with raising funds in different segments of the capital markets. Liquidity is managed to preserve stable, reliable and cost effective sources of cash to meet all current and future obligations. GMAC's strategy in managing liquidity risk has been to develop diversified funding sources across a global investor base. GMAC is experiencing historically high unsecured borrowing spreads due to a combination of volatility in the capital markets, weakness in the automotive sector of the corporate bond markets, and concerns regarding the financial outlook of GM. As a result, GMAC continues to use securitization and retail debt programs in addition to its unsecured debt sources. 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.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Investment in Fiat Auto Holdings

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

As discussed in GM's December 31, 2002 Annual Report on Form 10-K, the Master Agreement provides that, from January 24, 2004 to July 24, 2009, Fiat may seek to exercise a put option (the "Put") to require GM to purchase Fiat's FAH shares at fair market value. Whether and when Fiat may seek to exercise the Put is unknown, although Fiat, has recently stated in its 2002 Annual Report on Form 20F, filed with the U.S. Securities and Exchange Commission, that it views the exercise of the Put only as a secondary possibility. Fiat also stated in its Form 20F that it believes that the put is enforceable in accordance with the terms of the Master Agreement. GM believes, however, that whether the Put could ever be exercised is subject to the possibilities that it could be affected by subsequent agreements of the companies, it could be non-exercisable under other provisions of the Master Agreement, it could be unenforceable by reason of actions Fiat has taken or may take, or Fiat may choose to not exercise the Put.

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

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

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

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

GM and Fiat have discussed potential alternatives to the Master Agreement, and further discussions regarding the status of the Master Agreement are planned.

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. GM's principal use of 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. The use of SPEs 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.

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Off-Balance Sheet Arrangements (concluded)

GM leases real estate and equipment from various SPEs which have been established to facilitate the financing of those assets for GM by nationally prominent, creditworthy lessors. These assets consist principally of office buildings, warehouses, and machinery and equipment. The use of SPEs allows the parties providing the financing to isolate particular assets in a single entity

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and thereby syndicate the financing to multiple third parties. This is a conventional financing technique used to lower the cost of borrowing and, thus, the lease cost to a lessee such as GM. There is a well-established market in which institutions participate in the financing of such property through their purchase of interests in these SPEs. All of the SPEs established to facilitate property leases to GM are owned by institutions which are truly independent of, and not affiliated with, GM. These institutions maintain substantial equity investments in their SPEs. No officers, directors or employees of GM, GMAC, or their affiliates hold any direct or indirect equity interests in such SPEs.

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

Automotive, Communications Services, and Other Operations	June 30, 2003	Dec. 31, 2002	June 30, 2002
Assets leased under operating leases	\$2,951	\$2,904	\$2,727
Trade receivables sold	373	439	889
	-----	-----	-----
Total	\$3,324	\$3,343	\$3,616
	=====	=====	=====

Financing and Insurance Operations

Receivables sold or securitized:			
- Mortgage loans	\$106,415	\$112,128	\$110,228
- Retail finance receivables	13,436	16,164	13,291
- Wholesale finance receivables	17,422	17,415	16,179
	-----	-----	-----
Total	\$137,273	\$145,707	\$139,698
	=====	=====	=====

In January 2003, the Financial Accounting Standards Board (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. An entity is considered to be a VIE when it has equity investors who lack the characteristics of having a controlling financial interest, or its capital is insufficient to permit it to finance its activities without additional subordinated financial support. Consolidation of a VIE by an investor is required when it is determined that the investor will absorb a majority of the VIE's expected losses or residual returns if they occur. FIN 46 provides certain exceptions to these rules, including QSPEs 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.

Management is currently reviewing existing VIEs that may require consolidation. With respect to GM's ACO business, it is reasonably possible that certain VIEs with assets totaling approximately \$1.2 billion, established exclusively to facilitate GM's ACO leasing activities, 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 \$1.2 billion (\$740 million after-tax).

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. Management has completed its analysis of its VIEs to determine if GMAC is the primary beneficiary and if consolidation is required effective July 1, 2003. Based on the results of this analysis, management anticipates that VIEs with approximately \$4.1 billion in assets will be consolidated on GMAC's balance sheet due to the implementation of FIN 46. GM's exposure to loss related to these entities is approximately \$2.4 billion (\$1.5 billion after-tax) which primarily relates to retained interests in these

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facilities.

Due to the complexity and evolving interpretations, management continues to assess the effects of FIN 46 on all of its interests in variable interest entities.

BOOK VALUE PER SHARE

Book value per share is 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 was \$13.27 at June 30, 2003, compared with \$9.06 at December 31, 2002 and \$27.52 at June 30, 2002. Book value per share of GM Class H common stock was \$2.65 at June 30, 2003, compared with \$1.81 at December 31, 2002 and \$5.50 at June 30, 2002.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

DIVIDENDS

Dividends may be paid on GM's common stocks only when, as, and if declared by the GM Board 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.

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. On May 6, 2003, the GM Board declared a quarterly cash dividend of \$0.50 per share on GM \$1-2/3 par value common stock, paid June 10, 2003, to holders of record on May 16, 2003. With respect to GM Class H common stock, the GM Board has determined that it will not pay any cash dividends at this time in order to allow the earnings of Hughes to be retained for investment in its businesses.

HUGHES TRANSACTIONS

On April 9, 2003, GM, Hughes and The News Corporation Limited (News Corporation) announced the signing of definitive agreements that provide for, among other things, the split-off of Hughes from GM and the simultaneous sale of GM's approximately 19.8% economic interest in Hughes to News Corporation for \$14 per share, or approximately \$3.8 billion. GM would receive approximately \$3.1 billion in cash with the remainder payable in News Corporation preferred American Depositary Shares (News Corporation ADSs) and/or cash at News Corporation's election. News Corporation would acquire an additional 14.2% stake in Hughes from the holders of GM Class H common stock through a mandatory exchange of a portion of their Hughes common stock received in the split-off, which would provide News Corporation with a total of 34% of the then outstanding capital stock of Hughes. In addition, GM would receive a cash dividend from Hughes of \$275 million in connection with the transactions. This dividend is expected to be paid by Hughes through available cash balances.

Under the terms of the proposed transactions, holders of GM Class H common stock would first exchange their shares for Hughes common stock on a share-for-share basis in the split-off, followed immediately by an exchange of approximately 17.7% of the Hughes common stock they receive in the split-off for approximately \$14 per share in News Corporation ADSs and/or cash. The number of News Corporation ADSs payable to GM and Hughes common stockholders, based on a fixed-price of \$14 per Hughes share, will be adjusted within a collar range of

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20% above or below the News Corporation ADS price of \$22.40. This mandatory exchange of about 17.7% of the shares of Hughes common stock for News Corporation ADSs and/or cash would be taxable to the Hughes common stockholders at the time. The transactions are structured in a manner that will not result in the recapitalization of GM Class H common stock into GM \$1-2/3 par value common stock at a 120% exchange ratio, as currently provided for under certain circumstances in the General Motors Restated Certificate of Incorporation, as amended.

If the transactions are completed, Rupert Murdoch, chairman and chief executive officer of News Corporation, would become chairman of Hughes, and Chase Carey, who is currently serving as an advisor to News Corporation, would become president and chief executive officer of Hughes. Eddy Hartenstein, Hughes senior executive vice president, would be named vice chairman of Hughes. Hughes would have 11 directors, the majority of which would be independent directors.

The transactions are subject to a number of conditions, including, among other things, obtaining U.S. antitrust and Federal Communications Commission approvals, approval by a majority of each class of GM stockholders - GM \$1-2/3 and GM Class H - voting both as separate classes and together as a single class and a favorable ruling from the Internal Revenue Service that the split-off of Hughes from GM would be tax-free to GM and its stockholders for U.S. federal income tax purposes. No assurances can be given that the approvals will be obtained or the transactions will be completed. The financial and other information regarding Hughes contained in this Quarterly Report do not give any effect to or make any adjustment for the anticipated completion of the transactions.

During April 2003, the Hughes Board of Directors approved the reclassification of the outstanding Hughes Series B convertible preferred stock into Hughes Class B common stock of equivalent value, and a subsequent stock split of Hughes common stock and Hughes Class B common stock through dividends of additional shares. GM, in its capacity as the holder of all outstanding Hughes capital stock, approved the reclassification. Shortly thereafter, GM converted some of its Hughes common stock into an equivalent number of shares of Hughes Class B common stock. As a result of these transactions, Hughes currently has 1,207,518,237 shares of Hughes common stock and 274,373,316 shares of Hughes Class B common stock issued and outstanding, all of which are owned by GM. The terms of the Hughes common stock and Hughes Class B common stock are identical in all respects (with the exception of provisions regarding stock-on-stock dividends) and, at the option of the holder, the Hughes common stock may be converted at any time into Hughes Class B common stock and vice versa. These transactions had no impact on the outstanding number of shares of GM Class H common stock or the Class H

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

HUGHES TRANSACTIONS (concluded)

dividend base. In connection with the News Corporation transactions, GM Class H common stock will be exchanged for Hughes common stock, and the Hughes Class B common stock will be sold by GM to News Corporation. Immediately after the completion of the News Corporation transactions, all of the shares of Hughes Class B common stock held by News Corporation will be converted into Hughes common stock.

Upon completion of the Hughes split-off and sale transactions, GM will record the exchange of Hughes common stock for all the outstanding shares of GM Class H common stock in the Hughes split-off share exchange at book value. Simultaneously with the Hughes split-off, based on certain assumptions, GM will sell all of its retained economic interest in Hughes (in the form of the Hughes Class B common stock) to News Corporation for approximately \$3.1 billion in cash

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and up to an additional approximately \$770 million in News Corporation ADSs and/or cash, subject to adjustment based on the collar mechanism. Based on a price of \$14.00 per share of GM Class H common stock, the net book value of Hughes at March 31, 2003, and certain other assumptions, the transactions would have resulted in a gain of approximately \$1.2 billion, net of tax. In addition, GM currently anticipates that as a result of the transactions, there will be a net reduction of GM stockholders' equity of approximately \$7.1 billion.

The financial results of Hughes for all periods prior to the completion of the transactions will be reported as discontinued operations in GM's consolidated financial statements upon: (1) the receipt of the requisite GM common stockholder approval of all proposals relating to the transactions; and, (2) the satisfaction of all regulatory related conditions to the transactions.

INVESTMENT IN GM DAEWOO

In the fourth quarter of 2002, GM invested \$251 million in GM Daewoo common stock. The original transaction agreements contemplated the Daewoo Creditor Group receiving approximately 82 million shares (of the total 250 million of authorized shares for this transaction) for a projected 33% equity participation in GM Daewoo, with the remaining shares allocated to GM, Suzuki and Shanghai Automotive Industry Corporation (SAIC) (together, the "GM Group shareholders") for projected ownership of 42.1%, 14.9% and 10% in GM Daewoo, respectively.

The Korea Development Bank (KDB), which was the sole member of the Daewoo Creditor Group at closing, subscribed for only 29.9% of the total common shares. Through June 30, 2003, the GM Group shareholders had the option to subscribe for the unsubscribed shares, which was exercisable in the event that KDB was unable to identify another party to be an additional Daewoo Creditor Group shareholder. Prior to the expiration of the option (and following KDB's failure to identify an additional Daewoo Creditor Group shareholder), the GM Group shareholders, with the concurrence of KDB, collectively agreed to let the unissued shares remain unsubscribed. Therefore, the current capital structure reflects GM, Suzuki, SAIC and KDB owning 44.6%, 14.9%, 10.6% and 29.9%, respectively. GM will continue to account for its investment in GM Daewoo using the equity method.

EMPLOYMENT AND PAYROLLS

Worldwide employment at June 30, (in thousands)	2003	2002
	----	----
GMNA	192	199
GME	64	69
GMLAAM	23	24
GMAP	13	11
Hughes	11	12
GMAC	31	31
Other	7	11
	---	---
Total employees	341	357
	===	===

	Three Months Ended		Six Months Ended	
	June 30,		June 30	
	-----	-----	-----	-----
	2003	2002	2003	2002
	----	----	----	----
Worldwide payrolls - (in billions)	\$5.3	\$5.4	\$10.7	\$10.4
	===	===	=====	=====

GENERAL MOTORS CORPORATION AND SUBSIDIARIES

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements of GM are prepared in conformity with GAAP, which requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented.

GM has identified a number of critical accounting estimates. 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 effect on the Corporation's financial condition or results of operations are reasonably likely to occur from period to period.

GM's critical accounting estimates relate to the following areas: sales allowances, policy and warranty, impairment of long-lived assets, pension and OPEB costs, postemployment benefits, allowance for credit losses, investments in operating leases, mortgage servicing rights, and accounting for derivatives and other contracts at fair value. These critical accounting estimates are discussed in the Corporation's 2002 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission.

Management believes that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustments to these balances in future periods. The Corporation has discussed the development, selection and disclosures of these critical accounting estimates with the Audit Committee of GM's Board of Directors, and the Audit Committee has reviewed the Corporation's disclosures relating to these estimates. There have been no material changes to the Corporation's significant accounting policies that affected the Corporation's financial condition or results of operations in the second quarter of 2003.

* * * * *

ITEM 4. Controls and Procedures

The Corporation maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. As of the end of the period covered by this report, the Corporation's Chief Executive Officer and Chief Financial Officer evaluated, with the participation of GM's management, the effectiveness of the Corporation's disclosure controls and procedures. Based on the evaluation, which disclosed no significant deficiencies or material weaknesses, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective. There were no changes in the Corporation's internal control over financial reporting that occurred during the Corporation's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

PART II

ITEM 1. LEGAL PROCEEDINGS

(a) Material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Corporation, or its principal subsidiaries, became a party during the quarter ended June 30, 2003, or subsequent thereto, but before the filing of this report are summarized below:

Other Matters

As previously reported, DIRECTV is involved in several lawsuits with the National Rural Telecommunications Cooperative (NRTC), Pegasus Satellite Television, Inc. and Golden Sky Systems, Inc. (collectively Pegasus) and a class of NRTC members (the Class), regarding premium programming, launch fees, certain advanced services, contract term and post-contract rights of first refusal. On September 11, 2002, DIRECTV filed a motion for summary judgment pertaining to the damages sought by the NRTC for breaches alleged with respect to premium programming, launch fees and advanced services. DIRECTV also moved for summary judgment on tort interference and California Business & Professions Code ss.17200 claims (17200 Claims) of Pegasus and the Class. In rulings in May and June 2003, the Court held that the NRTC has no damage recovery with respect to advanced services, and that the NRTC can only prove damages with respect to premium programming and launch fees if it is able to establish a willful and intentional breach done by decision of the Board or by an empowered senior executive. The Court further granted DIRECTV's motion on the interference claims of Pegasus and the Class, eliminating all their claims for compensatory and punitive damages. The Court also narrowed their ss.17200 Claims, granting summary judgment to DIRECTV on claims that DIRECTV acted unlawfully or fraudulently and eliminating some claims for restitution. The Court ruled that there was a disputed issue of fact as to whether DIRECTV, Pegasus and the Class are competitors. If it is determined that they are competitors, judgment will be entered in DIRECTV's favor. If not, Pegasus and the Class must prove that DIRECTV acted unfairly within the meaning of the California Business & Professions Code. In addition, the Court granted DIRECTV's motion for summary judgment on its declaratory relief claim that the contracts between NRTC and each of Pegasus Satellite Television, Inc., Golden Sky Systems, Inc., and the Class, respectively, do not include rights of first refusal. The trial date in this matter has been set for August 7, 2003.

* * *

On June 27, 2000, SuperGuide Corporation (SuperGuide) filed suit in the United States District Court for the Western District of North Carolina against DIRECTV Enterprises, Inc., DIRECTV, Inc. and DIRECTV Operations, Inc., which

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Hughes refers to together in this paragraph as the DIRECTV defendants, Hughes, Thomson Consumer Electronics, Inc., EchoStar Communications Corporation, EchoStar Satellite Corporation and EchoStar Technologies Corporation, alleging infringement of three United States patents and seeking unspecified damages and injunctive relief. Gemstar Development Corp. was added as a third-party defendant because it asserts to have exclusive control of the patents by reason of a license agreement with SuperGuide. Based on beneficial rulings narrowing the scope of the asserted claims, the defendants filed motions for summary judgment, and on July 3, 2002, the court granted summary judgment of non-infringement to the DIRECTV defendants, Hughes and DIRECTV system manufacturers under all asserted claims of the three patents in the case. Judgment for all defendants dismissing all claims of infringement and awarding costs to defendants was entered on July 25, 2002. Notices of appeal to the Court of Appeals for the Federal Circuit were filed, and the appeal was argued on July 10, 2003.

* * *

(b) Previously reported legal proceedings which have been terminated, either during the quarter ended June 30, 2003, or subsequent thereto, but before the filing of this report are summarized below:

On November 21, 2001, Broadcast Innovations, LLC filed suit in the United States District Court for the District of Colorado against DIRECTV, Inc., Hughes, Thomson multimedia, Inc., Pegasus Satellite Television, Inc., Dotcast, Inc., and EchoStar Communications Corporation, alleging infringement of two United States patents and seeking unspecified damages and injunction. In July 2003, DIRECTV system defendants (DIRECTV, Hughes and Thomson) entered into a settlement agreement and the matter was dismissed with prejudice on July 17, 2003.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

LEGAL PROCEEDINGS (concluded)

Hughes also has reported previously on a purported class action, P. Shoenfeld Asset Management LLC, et al. v. Shaw et al., filed in Delaware Chancery Court on December 18, 2002, against Hughes and the PanAmSat Board of Directors. The suit alleged that the settlement between EchoStar Communications Corporation and Hughes of all claims related to the termination of the proposed merger between EchoStar and Hughes favored Hughes in violation of alleged fiduciary duties. On July 10, 2003, the Delaware Chancery Court granted defendants' motions to dismiss all claims with prejudice and denied plaintiffs' motion for leave to amend the complaint. On August 4, 2003 the plaintiffs filed a notice of appeal with the Delaware Supreme Court.

On July 15, 2003, Hughes and The Boeing Company (Boeing) settled all matters related to the previously reported dispute arising out of the 2000 sale by Hughes of its satellite systems manufacturing businesses to Boeing. Under the terms of the agreement, Hughes settled all outstanding purchase price adjustment disputes with Boeing and paid an aggregate \$360 million in cash on July 18, 2003 in satisfaction of both the disputed and undisputed portions of the purchase price adjustment. Boeing also will be released from its commitment to pay Hughes \$4.4 million over the next seven years in connection with Boeing's participation in the settlement with the U.S. Department of State on China launch issues of the mid-1990s. Also in connection with the settlement, Hughes Network Systems

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(HNS) agreed to extend the scheduled launch date for the first Boeing built Spaceway satellite from the fourth quarter of 2003 until February 2004.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

a) The annual meeting of stockholders of the Registrant was held on June 3, 2003.

At that meeting, the following matters were submitted to a vote of the stockholders of General Motors Corporation:

2003 General Motors Annual Meeting
Final Voting Results
(All classes of common stock)

Proposal -----	Voting Results -----	
	Votes*	Percent**
-----	-----	-----

Item No. 1

Nomination and Election of Directors

The Judges subscribed and delivered a certificate reporting that the following nominees for directors had received the number of votes* set opposite their respective names.

Percy N. Barnevik	For	618,901,619	97.8%
	Withheld	13,870,316	2.2
John H. Bryan	For	597,986,323	94.5
	Withheld	34,785,612	5.5
Armando M. Codina	For	620,036,485	98.0
	Withheld	12,735,450	2.0
George M. C. Fisher	For	598,141,334	94.5
	Withheld	34,630,601	5.5

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Karen Katen	For	598,122,727	94.5
	Withheld	34,649,208	5.5
Alan G. Lafley	For	610,920,852	96.5
	Withheld	21,851,083	3.5
Philip A. Laskawy	For	610,870,585	96.5
	Withheld	21,901,350	3.5
E. Stanley O'Neal	For	617,352,592	97.6
	Withheld	15,419,343	2.4
Eckhard Pfeiffer	For	612,627,468	96.8
	Withheld	20,144,467	3.2
G. Richard Wagoner, Jr.	For	618,538,541	97.8
	Withheld	14,233,394	2.2

In addition, 2,734 votes were cast for each of the following: 0.0

John Chevedden, James Dollinger, William Dean Fitzpatrick, Lucy Kessler, John Lauve, Louis Lauve III, Steve Mahac, Erik Nielsen, Larry Parks, Danny Taylor, William L. Walde, William Woodward, M.D.

Item No. 2

A proposal of the Board of Directors that the stockholders ratify the selection of Deloitte & Touche as independent public accountants for the year 2003.	For	602,711,448	95.2%
	Against	20,889,147	3.3
	Abstain	9,171,340	1.5

Item No. 3

A stockholder proposal that the Board take the necessary steps to have the accounting consulting firm not be a spin-off from the same accounting firm.	For	37,485,864	7.2%
	Against	470,464,403	90.3
	Abstain	13,086,533	2.5

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

Proposal	Voting Results		
		Votes*	Percent**
Item No. 4			
A stockholder proposal that GM report by August 2003 on estimated total annual greenhouse gas emissions from operations and products, how GM can reduce greenhouse gas emissions from its vehicles,	For	29,613,661	5.7%
	Against	447,190,782	85.8
	Abstain	44,232,361	8.5

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and an evaluation of public policies that would assist GM in achieving emissions reductions.

Item No. 5	A stockholder proposal that the Board amend the bylaws to require a strictly independent director, who is not the current or former CEO of GM, to serve as chairman.	For Against Abstain	41,731,548 467,922,358 11,382,818	8.0% 89.8 2.2
Item No. 6	A stockholder proposal that GM not adopt, maintain or extend any poison pill unless submitted to a stockholder vote.	For Against Abstain	165,078,006 344,534,378 11,424,414	31.7% 66.1 2.2
Item No. 7	A stockholder proposal that the Board adopt a cumulative voting bylaw.	For Against Abstain	158,535,001 345,329,404 17,172,292	30.4% 66.3 3.3
Item No. 8	A stockholder proposal that strictly independent directors be nominated for key Board committees to the fullest extent possible.	For Against Abstain	55,565,117 453,202,674 12,269,011	10.7% 87.0 2.3
Item No. 9	A stockholder proposal that the Board adopt a policy that all future stock options to senior executives and directors be performance-based.	For Against Abstain	53,714,860 454,931,082 12,390,758	10.3% 87.3 2.4
Item No. 10	A stockholder proposal that the Board appoint as independent auditors only firms and their affiliates that agree not to provide GM with non-audit consulting services.	For Against Abstain	48,105,465 460,332,842 12,598,442	9.2% 88.4 2.4

* Numbers represent the aggregate voting power of all votes cast as of June 3, 2003, with holders of GM \$1-2/3 par value common stock casting one vote per share and holders of GM Class H common stock casting 0.2 vote per share, which represents the applicable voting power after 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, to GM Class H common stockholders of record on June 13, 2000.

** Percentages represent the aggregate voting power of both classes of GM common stock cast for each item.

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GENERAL MOTORS CORPORATION AND SUBSIDIARIES

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

Exhibit Number -----	Exhibit Name -----	Page Number -----
(31.1)	Section 302 Certification of the Chief Executive Officer	38
(31.2)	Section 302 Certification of the Chief Financial Officer	39
(32.1)	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	40
(32.2)	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	41
(99)	Hughes Electronics Corporation Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations	42

(b) Reports on Form 8-K

Seventeen reports on Form 8-K, were filed April 1, 2003, April 10, 2003, April 14, 2003, April 15, 2003*, April 23, 2003, May 1, 2003, May 15, 2003, June 3, 2003, June 6, 2003, June 10, 2003*, June 12, 2003*, June 13, 2003, June 19, 2003 (3), and June 20, 2003 (2) during the quarter ended June 30, 2003 reporting matters under Item 5, Other Events, reporting certain agreements under Item 7, Financial Statements, Pro Forma Financial Information, and Exhibits.

 * Reports submitted to the Securities and Exchange Commission under Item 9, Regulation FD Disclosure. Pursuant to General Instruction B of Form 8-K the reports submitted under Item 9 are not deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 and we are not subject to the liabilities of that section. We are not incorporating, and will not incorporate by reference these reports into a filing under the Securities Act or the Exchange Act.

* * * * *

SIGNATURES

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

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GENERAL MOTORS CORPORATION

(Registrant)

Date: August 8, 2003

By: /s/PETER R. BIBLE.

(Peter R. Bible,
Chief Accounting Officer)