From turnaround to transformation

Contents

3 Letter to Stockholders
4 Financial Highlights
10 Design Transformation
22 Global Transformation
28 Technology Transformation
36 People Transformation
42 At a Glance
44 Management's Discussion and Analysis
67 Disclosure Controls and Procedures
68 Management's Report on Internal Control over Financial Reporting
70 Report of Independent Registered Public Accounting Firm
72 Consolidated Financial Statements
76 Notes to Consolidated Financial Statements
125 Selected Financial Data
126 Board of Directors and Committees
128 Senior Leadership Group
Inside Back Cover General Information

Front cover: 2007 Opel Astra TwinTop

There's a major turnaround under way at GM.

We made broad and significant progress in 2006. We accomplished more than people expected, and in many cases, we even surpassed our goals, on or ahead of schedule.

We're not finished. There's much more to do. But our growing confidence and excitement is rooted in the fact that we're not just fixing problems. We're transforming GM for fundamental, sustainable, long-term success.

A full-scale production clay model of the 2009 Chevrolet Camaro starts to take shape at GM's Warren, Michigan, Design Center, Rear Wheel Drive Performance Studio.

Bob Lutz
Vice Chairman,
Global Product Development

Rick Wagoner
Chairman and
Chief Executive Officer

Fritz Henderson
Vice Chairman and
Chief Financial Officer

Dear Stockholders:

Our company is in a crucial period in its nearly 100-year history. I'm pleased to report that, in 2006, the entire GM team rose up to meet the collective challenges we face, and we stand today in a much better position than we did 12 months ago. Our focus now is to accelerate our momentum and truly transform our company for a second century of success.

Consider the progress we made in 2006:

- Excluding special items, adjusted net income improved by $5.4 billion to a profit of $2.2 billion, or $3.88 per share fully diluted, on record revenue of $207 billion. Including restructuring and other charges, GM had a net loss in 2006 of $2 billion, which was an $8.4 billion improvement versus 2005.
- GM's automotive business posted consistently improved results, including record global revenue, in all four quarters. Excluding special items, net income from automotive operations improved by more than $5.7 billion, totaling $422 million on an adjusted basis (reported net loss of $3.2 billion, an improvement of $6.9 billion).
- GM North America posted a $5-billion earnings improvement in 2006, with an adjusted net loss of $779 million (reported net loss of $4.6 billion). In the fourth quarter of 2006, GMNA recorded its fourth consecutive quarter of more than $1 billion improvement in adjusted earnings.
- And GM's share price made a significant recovery, leading the Dow Jones Industrial Average with a 60 percent increase in value for 2006.

Does this mean GM's turnaround is complete? Not at all.

Rest assured, nobody at GM is declaring victory. We all know there's a lot more work to do to achieve our business goals of steady growth, solid profitability and positive cash generation. And yet, we improved further and faster in 2006 than many people thought possible.

We firmly believe that GM is headed in the right direction, with growing momentum – and that raises a critical point. Returning GM to profitability is obviously very important, and we're working intently to achieve that goal. But our objective is not just to change GM's bottom line from red to black. Our fundamental goal is to transform General Motors for the long haul, to structure it for sustained profitability and growth, to set us up to be successful for years to come in the ever-more-global auto business.

To achieve this goal, we have a very straightforward strategy: great cars and trucks that build strong brands, supported by industry-leading technology. Students of GM and the industry know this is not a new strategy. It's the one that made GM number one more than 75 years ago; now, it's re-making GM all over again, all over the world.

North American Turnaround

In 2006, we aggressively implemented the turnaround plan for North America that we began in 2005.

We cut $9 billion in structural costs on a running rate basis by the end of 2006 – $2 billion above the target I discussed in my letter to you last year, and $4 billion above our initial target. We realized $6.8 billion of these savings in our 2006 financials, and plan to realize the full $9 billion in 2007.

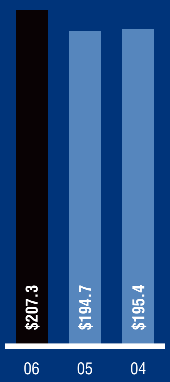
Major actions included reducing our salaried and hourly workforce, revising U.S. salaried and hourly retiree health care benefits, restructuring our U.S. salaried employee pension plan, decreasing our executive and board of directors' compensation,

Financial Highlights

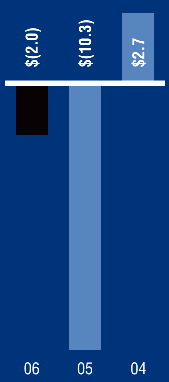
(Dollars in millions, except per share amounts) Years ended December 31,	**2006**	2005 *(As restated)*	2004 *(As restated)*
Total net sales and revenues	**$207,349**	$194,655	$195,351
Worldwide production (units in thousands)	**9,181**	9,051	9,098
Income (loss) before cumulative effect of a change in accounting principle	**$ (1,978)**	$ (10,308)	$ 2,701
Cumulative effect of a change in accounting principle	**–**	(109)	–
Net income (loss)	**$ (1,978)**	$ (10,417)	$ 2,701
Net profit margin before cumulative effect of a change in accounting principle	**(1.0)%**	(5.3)%	1.4%
Income adjusted to exclude special items(1)			
Income (loss)	**$ 2,199**	$ (3,205)	$ 3,526
Diluted earnings (loss) per share	**$ 3.88**	$ (5.67)	$ 6.22
Diluted earnings (loss) per share			
Before cumulative effect of a change in accounting principle	**$ (3.50)**	$ (18.23)	$ 4.76
Net income	**$ (3.50)**	$ (18.42)	$ 4.76
Book value per share of common stock	**$ (9.62)**	$ (25.91)	$ 49.34
Number of common shares outstanding as of December 31 (in millions)	**566**	566	565

(1) A reconciliation of adjusted amounts in these Financial Highlights and in the Chairman's Letter to Stockholders to amounts determined in accordance with accounting principles generally accepted in the United States may be found at *www.gm.com/company/investor_information/*, Earnings Releases, Financial Highlights.

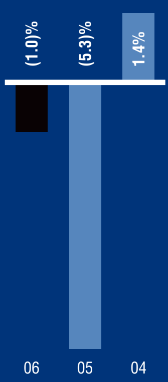
Net Sales and Revenues
billions



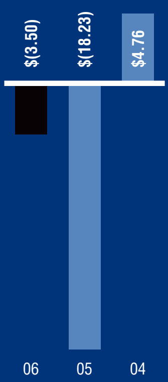
Income (Loss)*
billions



Net Profit Margin*
percent



Earnings (Loss) per Share*
dollars



* Before cumulative effect of a change in accounting principle

and aggressively pursuing structural-cost reductions throughout the company.

On the revenue side of our plan, we fundamentally changed the way we market and sell our cars and trucks in the U.S. and Canada. We cut sticker prices, reduced incentives, re-focused our marketing efforts to emphasize the strength and value of our products and brands, and reduced low-profit daily rental fleet sales, which improved residual values for our vehicles.

In a very concrete demonstration of our confidence in the quality and reliability of our products, and the people who build them, we introduced the best warranty coverage of any full-line manufacturer in the U.S. and Canada – a fully transferable, five year/100,000-mile limited powertrain warranty on every car and light-duty truck in our 2007 model year lineup. We then extended that coverage in the U.S. this year to qualifying GM Certified used vehicles.

Most importantly, we successfully launched a number of great new cars and trucks, such as our all-new fullsize sport utility vehicles, the Chevy Tahoe, GMC Yukon and Cadillac Escalade; our all-new midsize crossovers, the Saturn Outlook and GMC Acadia; and both the car and truck of the year at the 2007 North American International Auto Show, the Saturn Aura and Chevy Silverado.

Global Growth

2006 was the industry's fifth consecutive year of record global sales: 67.5 million units. In fact, industry sales were up more than 30 percent in the last 10 years, or about twice the pace of growth in the previous two decades. We're forecasting yet another industry-sales record in 2007 of about 70 million units.

GM is well positioned to take full advantage of this global growth. Overall, we sold more than 9 million cars and trucks in 2006 for the second year in a row, and only the third time in GM history. Of those sales, a record 55 percent were outside the U.S., a percentage that's likely to continue growing as we drive aggressively to increase our sales in emerging markets like China, Brazil, Russia and India.

In our Asia Pacific region, we continue to see very strong growth in sales and continued solid profitability. GM was once again the number one automaker in the fast-growing China market, led by our Buick division, which has tremendous heritage and brand equity in the country. China's industry sales exceeded 7 million units last year for the first time, making it the second-largest national market in the world. Industry sales there are projected to exceed 8 million units this year.

In Europe, growth was stronger than anticipated in 2006, with our sales up to a record 2 million units, leading to our first full year of adjusted profitability (reported net loss of $225 million) since 1999. Sales were boosted by the all-new Opel/Vauxhall Corsa and the continued rapid expansion of the Chevrolet brand.

In our Latin America, Africa and Middle East region, we sold more than one million GM vehicles last year for the first time. Overall, sales increased 17 percent as we expanded our Chevrolet lineup and made significant progress turning around our important business in Brazil. Sales in the Mideast and Africa alone were up 22 percent.

Liquidity Improvements

In 2006, we continued to focus on strengthening GM's liquidity and balance sheet. By year's end, our liquidity position was substantially improved to more than $26 billion, including cash and cash equivalents. This is important for funding our turnaround in the U.S., and investing in future product programs, technologies and growth markets.

Major actions last year included the sale of all or part of our equity stakes in Isuzu Motors Ltd. and Suzuki Motor Corp., which added $2.3 billion in liquidity, and the sale of 51 percent of our equity in GMAC, which will raise $13 billion over three years to strengthen GM's balance sheet.

We still have more work to do in generating cash flow from our operating businesses. In 2006, we had negative cash flow from automotive operations of $3.8 billion – unacceptable, but still more than $4 billion better than in 2005. In the fourth quarter, we achieved positive automotive operating cash flow of approximately $300 million. Moving the business to positive operating cash flow is a top priority.

Technology Leadership

In 2006, we emphasized energy and environmental leadership as a critical element of GM's ongoing turnaround plan and a key part of our business strategy.

In order to reduce the world's dependence on oil, as well as meet the growing demand for our cars and trucks around the globe, we're embracing a policy of energy diversity – that is, offering vehicles that can be powered with many different sources of energy.

GM will continue improving the efficiency of the internal combustion engine, as we have for decades. But we're also redoubling our efforts to displace traditional petroleum-based fuels by building vehicles that run on alternative fuels. Last year, we launched our "Live Green Go Yellow" E85 ethanol campaign in the U.S., and fulfilled our pledge to put more than two million E85-capable vehicles on the road.

We have pledged publicly to double our production of E85-capable vehicles by 2010, and we are prepared to make fully half of our annual vehicle production biofuel-capable by 2012, provided there is ample availability and distribution of E85, as part of an overall national energy strategy.

Later this year, we will debut our pioneering two-mode hybrid system on our fullsize SUVs. This sophisticated hybrid powertrain is based on the system we use in our transit buses that currently are saving hundreds of thousands of gallons of fuel a year on the streets of 51 cities in the United States and Canada.

Energy Diversity

Our commitment to energy diversity also means that we will significantly expand and accelerate the development of electrically driven vehicles – vehicles in which an electric motor turns the wheels.

In 2006, we showed the first drivable version of our Sequel fuel cell vehicle, and announced plans to deploy a test fleet of 100 fuel cell Chevy Equinox crossovers in three states this year. In 2007, we will continue our development of fuel cell technology, which is a major part of our effort to displace petroleum fuels and, in the process, drastically reduce carbon emissions.

In 2006, we also announced plans to produce a plug-in hybrid version of the next-generation Saturn Vue Green Line, which has the potential to achieve double the fuel efficiency of any current SUV.

And at this year's North American International Auto Show in Detroit, we unveiled the highly acclaimed Chevrolet Volt

GM's progress in 2006:

$9 BILLION *reduction in structural costs on a running-rate basis*

More than **34,000 U.S. WORKERS** *participated in the GM attrition program*

OVER 1 MILLION *sales by GM LAAM*

51% stake in GMAC sold and closed. Total proceeds: **$13 BILLION** *over three years*

LAUNCH PRODUCTS *accounted for* **30%** *of all U.S. retail sales*

GM #1 *in China*

GM Europe – **RECORD SALES** *and return to profitability**

GM #1 *manufacturer in combined sales from 11 key emerging markets*

*Five-year/100,000-mile** limited* **POWERTRAIN WARRANTY** *launched in U.S. and Canada*

But make no mistake. There's more work to do and more progress to be made. And we intend to do both.

* Adjusted basis.
** Whichever comes first. See dealer for details.

Concept. The Volt is a battery-powered, four-passenger sedan powered by E-flex, our next-generation electric propulsion system. The car uses a small gasoline engine (or flex-fuel engine, or diesel, or fuel cell) to create additional electricity to extend its range, and has the potential to nearly eliminate trips to the gas pump for many drivers, as advanced battery technology continues to develop.

Overall, we believe that our industry is on the threshold of a major transformation in propulsion fuels and technologies – a transformation that can help us accelerate industry growth in a sustainable way, mitigate and ultimately solve the energy and environmental challenges of the automobile, and create vehicles that are fundamentally better than their predecessors.

The Challenges Ahead

We reviewed our legacy cost challenges at length in last year's letter. The U.S. health-care crisis has begun to gain more attention in Washington, but we can't wait to see if government can fix this complex problem.

Last year, our health-care bill was a staggering $4.8 billion. That's down from $5.3 billion in 2005 – due largely to our historic 2005 agreement on sharing health-care costs with the United Auto Workers, which reduced GM's U.S. retiree health-care liabilities by about $15 billion on our balance sheet – but it's still the highest of any American business by far. It's a cost that continues to put us at an unsustainable disadvantage to most of our foreign-based competitors.

Over the past 18 months, in particular, we've worked closely with the UAW and other unions to restructure GM for long-term success. The upcoming 2007 labor negotiations in the U.S. present another important opportunity to meaningfully address critical issues such as cost competitiveness. It's our intention to seek creative solutions that will benefit our employees, unions, shareholders, customers and dealers by ensuring sustained profitability in the years ahead.

As this report goes to print, GM remains in discussions with Delphi Corp., the UAW and other interested parties on Delphi's Chapter 11 restructuring. We've made considerable progress in those complex negotiations over the past year, and continue to be hopeful that an agreement can be reached soon that is in the best interests of GM and its stockholders.

I also want to assure stockholders that management is focused on continuing to strengthen our internal accounting resources and financial reporting, as discussed in last year's letter.

Following a review of deferred income taxes and our accounting for derivatives under Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities,* we restated our balance sheet, stockholders' equity and reported net income in our financial statements from 2002 through the third quarter of 2006. These adjustments had no material impact on cash flow for any of the restated periods.

The 2006 restatements reinforce our view that we have more work to do in this area. We remain committed to re-establishing GM's reputation for financial reporting excellence by adding needed resources and strengthening our reporting and control processes.

Investing in the Future

The most important element of our future success will always be great cars and trucks. To support that, and despite our financial challenges, we continue to raise spending on new products. In 2007 and 2008, we plan to spend $8.5 billion to $9 billion on capital investments, an increase of nearly $1 billion from 2005 and 2006. Last year, nearly 30 percent of our U.S. retail sales volume came from newly launched products, up from about 20 percent in 2005. In 2007, that number will grow.

In North America, we'll launch a number of important new vehicles, including the 2008 Chevrolet Malibu family sedan and second-generation Cadillac CTS luxury sedan. Both won widespread praise at this year's Detroit auto show for their compelling exterior designs, well-crafted interiors, improved fuel efficiency and innovative features.

Of course, we'll launch many other exciting cars and trucks throughout the world this year, including the Opel GT and Cadillac BLS wagon in Europe, the new Buick Park Avenue in China, the Chevrolet Matiz in India, the Chevrolet Captiva throughout our Latin America, Africa and Middle East region, and the Chevrolet HHR, which will be expanded into Europe and throughout the Asia Pacific region.

Only by introducing stylish, segment-leading cars and trucks will we improve the image and value of our brands and stand out among the many choices in the marketplace. That's why we're committed to ensuring that GM cars and trucks are design leaders, inside and out – cars like the Chevy Camaro convertible pictured on pages 20 and 21 of this year's report.

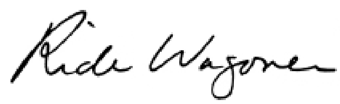
The benefits of GM's global product development system are increasingly evident – crisper product execution, shorter life cycles, better quality, lower cost and a real focus on making GM, once again, a design-driven company.

From Turnaround to Transformation

At GM, we made a lot of progress last year. Our performance was validation that we have the right strategy, and it's working. Now we need to take it a lot further, as fast as we can.

Our goal is to fundamentally transform GM, into a globally-integrated automaker that creates great cars and trucks, with outstanding design and the best technology, building strong brands – a company that is truly global, not just in terms of where we build and sell, but in our mindset.

As important as 2006 was for General Motors, 2007 will be equally critical, as we make continued progress and position your company for long-term, sustainable success. We appreciate your continued support as we move rapidly on this important journey.



Rick Wagoner
Chairman and Chief Executive Officer
Detroit, Michigan

Crystal Windham
Design Manager, Chevrolet Malibu, Warren, Michigan

With all the focus on cost reduction, you might have missed the fact that GM is increasing its capital spending to design and build great cars and trucks. GM is embracing a design-driven culture – everything we do is focused on helping us create passion and emotional appeal on wheels. Look around. You can see more evidence of our commitment to great cars and trucks on the world's roads every day.

Design

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Karen Rafferty
GM China,
Brand Director, Cadillac,
Shanghai, China

Joseph Liu
GM China,
Vice President, Vehicle Sales,
Service and Marketing,
Shanghai, China

2007 Cadillac SLS

Cadillac far and near

Cadillac's transformation has come full circle with the introduction of the all-new 2008 CTS, one of the vehicles that launched the brand's turnaround in 2002. As one of GM's global brands, Cadillac has been expanding its presence around the world, most recently in China with the introduction of the SLS. This new Cadillac was designed specifically for the Chinese market to better accommodate chauffeurs and their passengers. GM's luxury brand has been a strong performer around the world, including a 22 percent boost in European sales last year alone.

The cockpit of the SLS includes a driver information center that offers up to 16 personalized settings.

The interior of the SLS is highlighted by genuine Tuscany leather and wood trim.

The 2008 Cadillac CTS midsize performance luxury sedan. This all-new CTS represents Phase Two of the Cadillac renaissance that began in 2002.

Elaine Bryant
Advertising Specialist, Saturn,
Detroit, Michigan

The 2008 Saturn Astra reflects a growing collaboration between Saturn and Opel. By sharing resources from throughout GM's global network of design and engineering centers, the two brands can develop strong, broad product lineups that will attract buyers in both North America and Europe.

Saturn – Revitalized

When the 2008 Saturn Astra arrives in U.S. dealerships in late 2007, it will mark an important stage in the brand's product portfolio renaissance. In less than two years, Saturn's lineup will have been completely revamped. This will give Saturn one of the freshest product portfolios in the industry, as the compact Astra joins the Sky roadster, Aura sedan, Vue sport utility and Outlook crossover (shown below) on showroom floors.

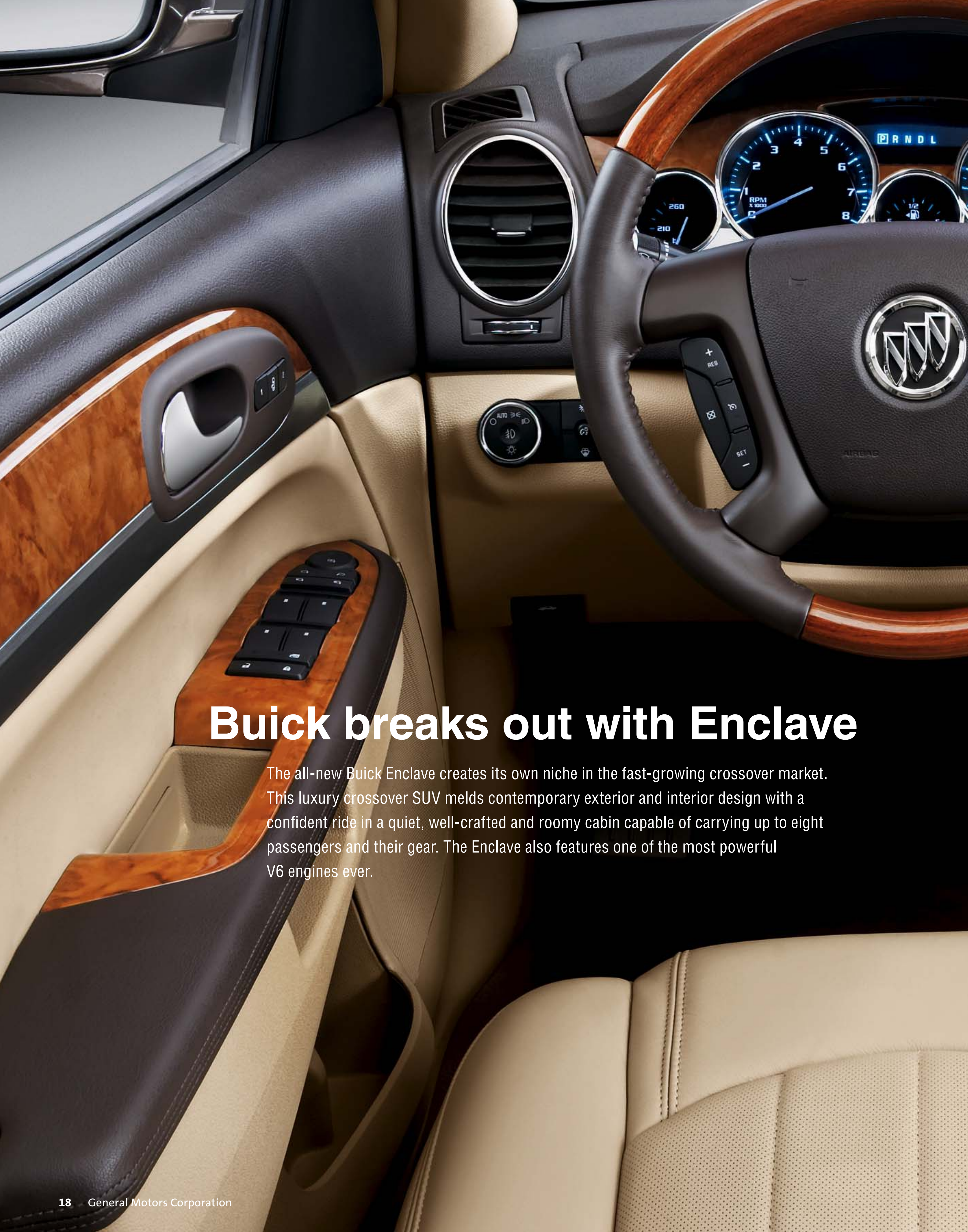
The 2007 Saturn Outlook combines great design and utility with better fuel economy than any other eight-passenger SUV.

Chevrolet – from American Revolution to global growth

Chevrolet, an American icon for nearly 100 years, continues to lead the way in trucks with an all-new version of the Silverado. The 2007 Silverado lineup features industry-leading advancements in capability, quality, safety and fuel economy. Chevrolet also is staking its claim in the midsize car segment with the introduction of the all-new Malibu midsize sedan. The 2008 Malibu delivers outstanding performance, fuel economy, interior refinement and affordability, wrapped in a clean, tailored design that carries the new face of Chevrolet. But that's only part of the Chevy success story. In 2006, Chevrolet set sales records in the Asia-Pacific, European and Latin America, Africa and Middle East regions, respectively.

The all-new 2008 Chevrolet Malibu represents the new face of Chevrolet.

The 2007 Chevrolet Silverado takes the world's most dependable, longest-lasting pickup to new heights.



Buick breaks out with Enclave

The all-new Buick Enclave creates its own niche in the fast-growing crossover market. This luxury crossover SUV melds contemporary exterior and interior design with a confident ride in a quiet, well-crafted and roomy cabin capable of carrying up to eight passengers and their gear. The Enclave also features one of the most powerful V6 engines ever.

The Enclave is Buick's first luxury crossover SUV.

Concept vehicles that captivate customers

GM has a long history of creating concept vehicles with cutting-edge styling. From the innovative designs of Harley Earl to award-winning and emotion-evoking Camaro Concepts, GM designers have wowed auto show crowds with their creations. And, whether it's to gauge public reaction or to foreshadow the future, GM's concept vehicles provide a compelling insight into a future where the possibilities are endless.

The Camaro Convertible Concept, wrapped in Hugger Orange pearl tri-coat paint with twin gunmetal gray sport stripes, embodies strong heritage while appealing to a new generation of customers who seek a distinctive statement in a new car. A production version of the concept will go on sale in 2009.

Holden's wild EFIJY Concept has a radical custom coupe shape. It boasts V8 supercar power under the bonnet, Chevrolet Corvette underbody and state-of-the-art automotive technology. The EFIJY is a reinterpretation of the classic design cues from the iconic 1953 FJ Holden.

The 2007 GTC Concept provides a glimpse into how dynamic and muscular Opel design language will look in the future. The Opel team worked to envision the new essence of the brand – more progressive, confident and powerful – in a high-performance, yet versatile, four-seat coupe.

The Chevrolet Prisma "Y" Concept was designed at GM's "virtual reality" studio in São Paulo, Brazil. The "Y" is a compact crossover that combines the utility of an SUV with the practicality of an urban vehicle. It also maintains the fuel-sipping personality of an economy car.

Transfo

Dr. Kijoon Yu
Executive Director,
Global Dimensional Engineering,
Warren, Michigan

There's global, and then there's GM global. It's not just about selling great cars and trucks. It's about leveraging a worldwide network of resources that no other competitor has. Building better, more affordable vehicles for drivers everywhere. It's about one GM, without borders, working in teams – realizing the incredible human potential our diverse company represents.

Global

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No boundaries means we can leverage knowledge and skills from around the world

To compete in today's highly competitive market, GM is fully leveraging its global scale and scope, sharing the best people, practices and ideas from around the world to operate as a truly integrated global enterprise. The leadership of our global small car development team (pictured above) is just one of many examples of the diverse teams that are operating around the globe. Vehicle Line Executive Ulrich Schmalohr (left) is from Germany, Chief Engineer William F. Bertagni (center) is from Brazil, and Creative Design Manager Seungwoo Kim (right) is from Korea. This multicultural team of engineers and designers based in Korea jointly develops brand-differentiated small cars for all regions of the world.

Gustavo A. Guadarrama Vilchis
Global Commodity Manager – seat belts,
Global Purchasing and Supply Chain,
Mexico City, Mexico

Marcela A. Trujillo León
Senior Buyer – seat belts,
Global Purchasing and Supply Chain,
Mexico City, Mexico

Running global – a top priority

Maximizing the benefits of running the business globally continues to be crucial to GM's success and is a top priority for 2007. Our drive to become a globally integrated company is one of the most profound changes taking place at GM. At its core, the move toward global integration requires a significant shift in the way we operate. It requires all of us to work together – across countries, units and functions – like never before. It calls for a collaborative mindset that recognizes we can learn from other members of the GM team in different parts of the world, rather than creating independent solutions at the local level.

Changing our mindset and behaviors to work effectively in a global environment can be challenging, but it also brings huge rewards by improving quality, reducing costs and applying the latest technologies. It makes us more competitive, but, even more important, it means more and better new cars and trucks, faster, for our customers the world over.

Purchasing – a global pioneer

GM's purchasing and supply chain team has been operating globally since 1992, when creativity teams were established to link buyers of similar commodities and services. This has allowed us to optimize the number of suppliers with whom we do business, increasing our purchases with those companies and significantly reducing costs. We currently have 119 creativity teams around the world.

GM's purchasing effectiveness has been greatly enhanced by the globalization of product development and manufacturing, resulting in more efficient purchases of

The **COMPACT CROSSOVER** *SUV architecture, initially created in the United States, has been the foundation for* **FIVE HIGHLY DIFFERENTIATED VEHICLES** *sold in North America, Europe and Asia-Pacific.*

Joong-Keun Cheon
Senior Manager,
Chassis and Powertrain Integration,
Compact Crossover Vehicles,
Incheon, South Korea

Chris Tubbe
Lead Engineer,
Chassis and Powertrain Integration,
Compact Crossover Vehicle
Oshawa, Ontario,

components for our vehicles, and machinery and equipment for our assembly plants.

Global product development minimizes investment, maximizes models

We have a global structure with single-point leaders in product development, including design, engineering, program execution and product planning. This is resulting in the consolidation of many regional vehicle architectures into fewer, better global ones, which is enabling us to expand the number of new cars and trucks we introduce around the world.

For example, our new single global midsize architecture will generate nine highly differentiated cars for all regions of the world.

The benefits of this approach include crisper product execution, shorter life cycles, better quality, lower costs and a renewed focus on making GM a design-driven company. Once again, this process will repeat itself as we develop other new global architectures, allowing us to share more components at significant cost savings. And we'll do this while enhancing our brands and increasing differentiation in our portfolio.

Manufacturing flexes its global muscle

We've also linked our global manufacturing strategies with our product development and purchasing strategies. This is allowing us to build our cars and trucks at increasingly lower costs through the implementation of common processes and machinery around the world.

Stan Liebenberg
Quality Operations Manager – H3G,
Port Elizabeth Assembly Plant,
Port Elizabeth, South Africa

Bill Kokochak
Plant Planner,
Shreveport Assembly Plant
Shreveport, Louisiana

The globalization of manufacturing is beginning to allow us to respond to market demand more quickly and efficiently. Our manufacturing facilities are becoming increasingly flexible, giving them the ability to vary their output between different vehicles on a single production line. This flexibility is being enabled by common, global manufacturing processes that are being shared at GM manufacturing facilities around the world.

Acting as one company – our most important goal

Global collaboration – acting as one company in every aspect of our business – is a very important goal that all of us at GM are working toward. It involves embracing a significant degree of change, which is rarely easy, especially for a large company with such a long and rich heritage. Yet, as a result of the actions we're taking, we're becoming a stronger company. We're becoming leaner, more agile and, more important, better able to compete in what has become a very tough, global auto market. We're driving our own change, and we are beginning to see the results. We've come a long way, but there's more work to do to transform GM for fundamental, sustainable, long-term success.

Transfo

Cindy Svestka
Energy and Drive Quality Engineer, FWD Two-Mode Hybrid System, Milford, Michigan

Our behind the scenes work over the last five years on technology that matters, especially in the area of achieving energy diversity, is beginning to pay off. We seek to make a real impact with what we develop – whether it's in safety, fuel economy, alternative fuels or satellite communications – aiming to improve millions of lives. We're accelerating our efforts in a wide range of important areas, including significant developments in hybrids, E85 ethanol, fuel cells and electrically driven vehicles.

Technology

rmation

GMC Yukon Hybrid sets the standard for fullsize SUVs

2007 marks the introduction of GM's highly flexible two-mode hybrid system on a fullsize SUV – the 2008 GMC Yukon Hybrid (pictured below). The Yukon is already the segment leader in fuel economy. With the new advanced hybrid system, the GMC fullsize SUV will deliver a 25 percent improvement in overall fuel economy when it arrives at dealerships toward the end of the year. The Yukon Hybrid expands GMC's Professional Grade portfolio with a vehicle that will deliver an impressive combination of fuel efficiency and power. The two-mode hybrid system – which also will be available on the Chevrolet Tahoe and Cadillac Escalade – highlights GM's commitment to save as much fuel as possible by applying this technology to the highest fuel consuming vehicles first.

Saturn Vue Green Line to get even greener

As Saturn continues an aggressive product line expansion, the introduction of hybrid versions of its Aura and Vue has reinforced the brand's position as environmentally progressive at a great value. In 2008, the fuel savings will get even better when the all-new Saturn Vue becomes the auto industry's first front-wheel-drive vehicle to use an advanced two-mode hybrid system. This will make the most fuel-efficient SUV on the highway even more so, enabling customers to go even greener than ever before. The Vue Green Line two-mode hybrid is expected to deliver up to a 45 percent improvement in combined city and highway fuel economy. Beyond that, we've begun work on an innovative plug-in hybrid model that will provide even greater fuel savings.

Moving forward with ethanol

At GM, we've made a major commitment to vehicles that can run on E85 ethanol, in order to diversify energy sources and reduce the use of traditional petroleum-based fuels. We now have more than 2 million E85 ethanol-capable vehicles on the road in the United States, with plans to expand production in the future. In fact, we announced last year that we will double our production of vehicles capable of running on renewable fuels by 2010 – the single largest commitment to renewable fuels in our nation's history. But we're not stopping there. We're planning to make fully half of our annual vehicle production biofuel-capable by 2012, provided there is ample availability and distribution of E85 ethanol, as part of an overall national energy strategy. To accommodate this expansion, we're partnering with government, fuel providers and fuel retailers across the United States to help grow the E85 ethanol fueling station infrastructure.

Saab's 9-5 BioPower model is the best selling flex-fuel car in Sweden and throughout Europe. GM's "Live Green, Go Yellow" campaign promotes the use of E85 ethanol, which fuels this Chevrolet Avalanche.

Approximately 85 percent of the vehicles sold by GM do Brasil, including the recently introduced Chevy Prisma Sedan seen here, are equipped with FlexPower, which allows them to run on 100 percent ethanol.

Enabled by GM's fourth-generation fuel cell propulsion system, the Equinox Fuel Cell vehicle is a fully functional crossover vehicle engineered for at least 50,000 miles of life.

Chevrolet to launch world's largest fuel cell vehicle fleet

GM will begin placing more than 100 Chevrolet Equinox Fuel Cell vehicles with customers in the fall of 2007, as part of "Project Driveway." This will constitute the most comprehensive market test of fuel cell vehicles anywhere. A variety of drivers will operate these vehicles and refuel with hydrogen in three geographic areas: California, the New York metropolitan area and Washington, D.C. The lessons learned from Project Driveway will directly influence future fuel cell vehicle generations and ultimate market acceptance.

Chevrolet Volt electrifies

The Chevrolet Volt Concept sedan, powered by E-flex – GM's next-generation electric propulsion system – is a four-passenger electric vehicle with a small flex-fuel engine on-board to create additional electricity to extend its range. The Volt can be fully charged by plugging it into a 110-volt outlet to deliver 40 miles of pure electric vehicle range. We're working diligently with key suppliers to develop an advanced battery with an eye toward producing the Volt as soon as possible. We're also working on a hydrogen fuel cell electric vehicle variant of E-flex.

The 2007 Chevrolet Volt Concept's E-flex propulsion system can be tailored to meet the specific needs and infrastructure of various local markets.

2.1 million doors unlocked

557,000 automatic collision responses

1.2 million roadside requests

18 million diagnostic e-mails

661,000 emergencies handled

30,000 stolen vehicle requests

18 million calls for directions

1 billion hands-free calling minutes

One very hardworking button

Here's to 10 years of people thinking, "I'll never use it"

OnStar by GM has come a long way since enrolling our first customer back in 1996. We now have nearly five million subscribers, and we interact with one of them every other second of every day. Currently, we are launching our seventh generation of vehicle technology. Our latest innovation, Turn-by-Turn Navigation, provides step-by-step audio directions to get you to your desired destination. As the nation's leading provider of in-vehicle safety, security and communication services, OnStar by GM continues to deliver highly relevant services through powerfully simple technology.

Alain Visser
Executive Director,
European Marketing, Opel,
Russelsheim, Germany

We know what we can be. We're working hard, and we're working smart, to get there. A company that's flexible and agile, vibrant and inspiring. That's the GM that we aspire to be, and that's the GM taking shape as we move from turnaround to transformation.

People

rmatin

Marisabel Ortiz Cole
Area Parts Manager,
Buick-Pontiac-GMC,
South Florida

Buick-Pontiac-GMC dealers abound

GM's channel strategy is the preferred alignment of vehicle brands in complement with GM's ongoing turnaround strategy. For example, the comprehensive Buick-Pontiac-GMC channel offers differentiated products that attract a broad cross-section of consumers under one roof. More than 60 percent of all Buick-Pontiac-GMC volume goes through dealers who sell all three brands in one store.

Carl Fisher
President,
Carl's Buick-Pontiac-GMC,
Stuart, Florida

Melissa Tanner
*Team Leader – Door Line,
UAW Local 602, Lansing Delta
Township, Michigan*

Will Harris
*Material Planner,
Lansing Delta Township,
Michigan*

One team, one goal – to be the best

General Motors has enjoyed being a vital part of many communities for nearly 100 years, including the greater Lansing, Michigan, area. Lansing is home to 32 GM dealers, 159 suppliers, 17,000 retirees and more than 6,000 hard-working people in our plants. Two of those people, Melissa Tanner of UAW Local 602, a fourth-generation GM Team Member, and 22-year GM veteran Will Harris, work at one of GM's newest manufacturing facilities in Lansing Delta Township (LDT). The environmentally friendly facility has successfully launched GM's newest line of crossover vehicles thanks to the effective teamwork and collaboration between union and management team members. LDT also is the only automotive site to earn a Gold Certification from the U.S. Green Building Council's Leadership in Energy and Environmental Design program.

Safety in, around and behind vehicles

The GM Foundation's sponsorship with Safe Kids Worldwide expanded in 2006 with the nationwide introduction of "Spot the Tot," a program to help prevent children from being injured or killed in driveways, parking lots and sidewalks. At events around the country, parents and drivers are being educated about some of the dangers kids face in and around vehicles. The goal is to get drivers to walk completely around their cars and trucks to check for children before starting the engine. Spot the Tot was created by Safe Kids Utah and now involves more than 600 Safe Kids coalitions and chapters. Since the inception of the GM-Safe Kids partnership a decade ago, more than 15 million people have been exposed to Safe Kids Buckle Up events and community outreaches.


Rudi
SPOT
THE TOT
Safe Kids
SPOT
THE TOT

At a Glance

At GM, we're delivering the best cars and trucks in the nearly 100-year history of our company. We have a bone-deep commitment to product excellence and beautiful, compelling interior and exterior designs. GM is undergoing radical change, from top to bottom, and we all share a *common goal* – provide the best cars and trucks to customers in every market around the globe.

CHEVROLET BUICK PONTIAC GMC SATURN OPEL

VAUXHALL HOLDEN GM DAEWOO HUMMER SAAB Cadillac








Overview

GM is primarily engaged in the worldwide development, production, and marketing of automobiles, consisting of cars and trucks. GM develops, manufactures, and markets vehicles worldwide through four automotive regions: GM North America (GMNA), GM Europe (GME), GM Latin America/Africa/Mid-East (GMLAAM), and GM Asia Pacific (GMAP) (collectively Automotive business). Also, GM's finance and insurance operations are primarily conducted through GMAC, the successor to General Motors Acceptance Corporation, a wholly owned subsidiary until the GMAC Transaction at the end of November 2006 when GM sold a 51% controlling ownership interest in GMAC to a consortium of investors. After the GMAC Transaction, GM has accounted for its 49% ownership interest in GMAC using the equity method. GMAC provides a broad range of financial services, including consumer vehicle financing, automotive dealership and other commercial financing, residential mortgage services, automobile service contracts, personal automobile insurance coverage, and selected commercial insurance coverage.

From time to time, GM discusses issues of shared interest such as possible transactions with other parties, including other vehicle manufacturers. Frequently these proposals do not come to fruition. We do not confirm or comment on any potential transactions or other matters unless and until we determine that disclosure is appropriate.

AUTOMOTIVE INDUSTRY

In 2006, the global automotive industry continued to show strong sales and revenue growth. Global industry vehicle sales to retail and fleet customers were 67.5 million units in 2006, representing a 4% increase over 2005. We expect industry sales to be approximately 69 million units in 2007. Over the past five years, the global automotive industry has experienced consistent year-to-year increases, growing approximately 17.7% from 2001 to 2006. Overall revenue growth for the industry has averaged approximately 6% per year over the last decade. Much of this growth is attributable to demand in emerging markets, such as China, where industry vehicle unit sales increased 25.8% to 7.4 million units in 2006, from 5.9 million units in 2005.

GM's worldwide vehicle sales for 2006 were 9.1 million units compared to 9.2 million units in 2005. Vehicle unit sales increased for GME, GMLAAM, and GMAP and declined for GMNA. GM's global market share in 2006 was 13.5% compared to 14.1% in 2005. Market share increased in 2006 compared to 2005 from 16.8% to 17% for GMLAAM and from 5.8% to 6.4% for GMAP, and declined over the same period from 25.5% to 23.8% for GMNA and from 9.4% to 9.2% for GME.

Competition and factors such as commodity and energy prices and currency exchange continued to exert pricing pressure in the global automotive market in 2006. We expect competition to increase over the next few years due primarily to aggressive investment by manufacturers in established markets in the United States and Western Europe and the presence of local manufacturers in key emerging markets such as China and India.

Commodity price increases, particularly for aluminum, copper, precious metals, and resins, have contributed to substantial cost pressures in the industry for vehicle manufacturers as well as suppliers. In addition, the historically low value of the yen against the U.S. dollar has benefited Japanese manufacturers exporting vehicles or components to the United States. Due in part to these pressures, industry pricing for comparably equipped products has continued to decline in most major markets. In the United States, actual prices for vehicles with similar content have declined at an accelerating pace over the last decade. We expect that this challenging pricing environment will continue for the foreseeable future.

FINANCIAL RESULTS

GM's consolidated net sales and revenues grew to $207.3 billion in 2006 from $194.7 billion in 2005. GM incurred a consolidated net loss of $2.0 billion, compared to a net loss of $10.4 billion in 2005. The improvement in revenues and reduction in net loss was a result of improved automotive business performance primarily driven by higher revenues and a reduced loss at GMNA due to the favorable impact of the GMNA turnaround plan. GMAC net income on a GM consolidated basis was $2.2 billion in 2006 and $2.3 billion in 2005.

GM's results of operations in 2006 were most significantly affected by the following strategy, trends, and significant events:

STRATEGY

As in 2006, our top priorities continue to be improving our business in North America and achieving global competitiveness in an increasingly global environment, thus positioning GM for sustained profitability and growth in the long term, while at the same time maintaining strong liquidity.

Our growth and profitability priorities for 2007 are straightforward:

- Continue to execute the North America turnaround plan;
- Grow aggressively in emerging markets;
- Continue to drive the benefits of managing the business globally;
- Continue development and implementation of GM's advanced propulsion strategy; and
- Improve business results.

Continue to Execute the North America Turnaround Plan

Our first priority in 2007 is improving our earnings and cash flow, particularly in GMNA, the traditional core of our operations and financial results. We are systematically and aggressively implementing our turnaround plan for GMNA to return these vital operations to profitability and positive cash flow as soon as possible. This plan is built on four elements, described more fully below in "Key Factors Affecting Future and Current Results – Turnaround Plan":

- Product Excellence
- Revitalize Sales and Marketing Strategy
- Accelerate Cost Reductions and Quality Improvements; and
- Address Health Care/Legacy Cost Burden

The 2006 year-end results show that we are continuing to make progress toward stabilizing our business in North America, although additional work will be required to fully implement our turnaround plan. We believe that continued success in our turnaround efforts would not only return GM to profitability, but structure GM for sustained profitability, positive cash flow, and growth so we can be competitive in the long term by effectively managing our business' cost, revenue, and liquidity.

Our primary revenue related goals for 2007 include selling a profitable product mix and improving contribution margin in North America. We are pursuing these goals by emphasizing the quality and value of our vehicles, reducing reliance on sales marketing incentives, and focusing on our newly launched products. We are gaining momentum in the North American marketplace and realizing benefits associated with the "Total Value Promise" initiative announced in January 2006, which has contributed to approximately $875 average reduction per vehicle incentive levels. In 2007 we intend to continue steps such as reducing daily rental car sales in order to increase residual values, while improving customer service, in order to increase repeat business from our current customers. In September 2006, we announced a five year or 100,000 mile extended powertrain warranty policy, which we believe offers more extensive

Overview *(continued)*

warranty coverage than any other full-line auto manufacturer and will provide a significant competitive advantage for us with consumers focused on reliability and total cost of ownership. We plan to introduce an array of new vehicles in 2007, including the GMC Acadia, Saturn Outlook, and Buick Enclave, and the all-new Cadillac CTS and Chevrolet Malibu, which we believe will contribute to continued revenue growth. In addition, we will introduce heavy-duty versions of our all new pickup trucks launched in the fourth quarter of 2006.

Our primary cost related goals for 2007 in North America remain addressing our legacy cost burden and reducing our structural costs in line with current levels of revenue. Legacy costs are primarily related to the cost of benefits provided to retired employees and their dependents, and costs associated with employees of businesses divested by GM and their dependents. Structural costs, such as compensation for unionized and salaried employees, are those costs that do not vary with production and include all costs other than material, freight, and policy and warranty costs. Some of these costs are within our control, while others such as our pension and OPEB expenses (which are influenced by interest rates and our return on investments) are more dependent on outside factors. As discussed below under "Key Factors Affecting Future and Current Results," GM has taken action in a number of areas to reduce legacy and structural costs. In North America, we realized structural cost savings of $6.8 billion in 2006 compared to 2005 levels. These major cost reduction actions contributed substantially to our significantly improved results in our automotive business, which in the second quarter 2006 showed a profit for the first time since 2004. Going forward, we intend to reduce our structural costs in North America by an average of $9 billion per year on a running rate basis in 2007 compared to 2005, and we remain focused on repositioning our business for long-term competitiveness, including a successful resolution to the Delphi situation and a new collective bargaining agreement with the UAW in 2007 that benefits both GM and its hourly employees.

Grow Aggressively in Emerging Markets

Our second key priority is to focus on emerging markets and capitalize on the growth in areas such as China, India, and the ASEAN region, as well as Russia, Brazil, the Middle East, and the Andean region. Vehicle sales and revenues continue to grow globally, with the strongest growth in these emerging markets. In response, we are planning to expand capacity in China, Russia, and India, and to pursue additional growth opportunities through our relationships with Shanghai Automotive and GM Daewoo. In many cases, such as our operations in China, these businesses become profitable in a short time and are able to fund their own expansion. Fifty-five percent of our unit sales in 2006 were made outside of the United States and, because we expect that unit sales in these key emerging markets will continue to grow at a faster pace than the U.S. market, we anticipate that this percentage will continue to grow. In addition to this growth in sales and revenues, we expect that these emerging markets will become increasingly profitable. In 2006, we experienced growth in revenue in each of our geographic regions and improved profitability in all four of our regions, a continuation of progress made in the first half of the year.

Continue to Drive the Benefits of Managing the Business Globally

Our third key priority is to continue to integrate our operations around the world to manage our business on a global basis. GM has been focusing on restructuring its operations and has already taken a number of steps to globalize our principal business functions such as product development, manufacturing, powertrain, and purchasing, to improve our performance in an ever-more competitive environment.

Through global product development initiatives, we are seeking to leverage our global capabilities in design and engineering to bring products to market faster and at lower cost. We have identified and developed centers of technical expertise throughout the world, each dedicated to planning, designing, and engineering specific vehicles or technologies for GM globally – for example, GMNA for crossover and sport utility vehicles and rear wheel drive high-performance cars, GME for front wheel drive midsize sedans, and GMAP for small and mini-class cars. These design centers are supported by global manufacturing and purchasing organizations. For many years we have leveraged our scale to capitalize on global purchasing synergies, which has yielded significant cost savings. GM intends to build on this strategy by making its sourcing decisions on a global basis to purchase from the most capable and cost-effective suppliers, wherever they are located.

Continue to Develop and Implement GM's Advanced Propulsion Strategy

Our fourth key priority is to continue to develop and advance our alternative propulsion strategy, focused on fuel and other technologies, making energy diversity and environmental leadership a critical element of our ongoing strategy. In addition to continuing to improve the efficiency of our internal combustion engines, we are focused on the introduction of propulsion technologies which utilize alternative fuels. By the end of 2006, we sold over two million vehicles that run on E85 ethanol-gasoline blend. We have also continued our development of electrically driven vehicles, hybrid vehicles, and hydrogen fuel cell vehicles. For example, in November 2006 we announced that we had begun work on our first plug-in hybrid, and in January 2007 we introduced the Chevrolet Volt concept vehicle, an extended range electrically driven vehicle based on E-Flex technology with a pure electric vehicle range of 40 city miles, E85 ethanol/gasoline fuel economy of 150 miles per gallon, and gasoline fuel economy of 50 miles per gallon. The large lithium-ion battery necessary to power the Volt could be ready for production beginning between 2010 and 2012. We continue to increase our spending on alternative technologies and have intensified our efforts to displace traditional petroleum-based fuels. A portion of the increased capital expenditures discussed below under "Liquidity and Capital Resources" will be devoted to these new technologies.

Improve Business Results – Earnings and Cash Flow

We anticipate improved automotive earnings and cash flow in 2007, resulting from further structural cost reductions, material cost reductions, and increased unit sales, particularly of newly introduced models. In addition to our other priorities outlined above, we are focused on the continued improvement of our balance sheet and liquidity position. In 2006 we materially strengthened our liquidity and financial flexibility, which should allow us to meet our short and medium-term liquidity needs, including the funding of our projected increase in capital spending from $7.5 billion in 2006 to $8.5 billion to $9 billion in 2007 and in 2008. Over the long term, we believe our ability to meet our capital requirements will primarily depend on the execution of our turnaround plan and the return of our North American operations to profitability and positive cash flow.

BASIS OF PRESENTATION

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) gives effect to the restatement discussed in "Item 8. Financial Statements and Supplemental Data, Note 2 – Restatement of Previously Issued Financial Statements," and should be read in conjunction with the accompanying consolidated financial statements. In addition, this MD&A should be read in conjunction with the GMAC Annual Report on Form 10-K for the year ended December 31, 2006, filed separately with the SEC, Part I, Item 1 (Business) and Part II, Item 6 (Selected Financial Data), Item 7 (MD&A) and Item 8 (Financial Statements and Supplementary Data), all of which are incorporated into this document by reference. All earnings per share amounts included in the MD&A are reported on a fully diluted basis.

Overview *(continued)*

GM operates in two businesses, consisting of Automotive (Auto) and Financing and Insurance Operations (FIO).

GM's Auto business consists of GM's four automotive regions: GMNA, GME, GMLAAM, and GMAP, which together constitute GM Automotive (GMA).

GM's FIO business consists of the operating results of GMAC for 2004, 2005, and the eleven months ended November 30, 2006 on a consolidated basis and includes GM's 49% share of GMAC's operating results for the month of December 2006 on an equity method basis. FIO also includes Other Financing, which includes financing entities that are not consolidated by GMAC.

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

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

Consolidated Results of Operations

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
Total net sales and revenues	**$207,349**	$194,655	$195,351
Income (loss) before income tax (expense) benefit	**(4,947)**	(16,740)	855
Income tax (expense) benefit	**2,785**	5,870	1,126
Equity income (loss) and minority interests	**184**	562	720
Income (loss) before cumulative effect of a change in accounting principle	**$ (1,978)**	$ (10,308)	$ 2,701
Cumulative effect of a change in accounting principle	**–**	(109)	–
Net income (loss)	**$ (1,978)**	$ (10,417)	$ 2,701

GM's consolidated net sales and revenues grew to $207.3 billion in 2006 from $194.7 billion in 2005. GM incurred a consolidated net loss of $2.0 billion, compared to a net loss of $10.4 billion in 2005. The improvement in revenues and reduction in net loss was a result of improved automotive business performance primarily driven by higher revenues and a reduced loss at GMNA due to the favorable impact of the GMNA turnaround plan. Revenues and net income in 2006 for GM's FIO business reflect GMAC on a fully consolidated basis for 11 months and one month on an equity basis. GMAC net income on a GM consolidated basis was $2.2 billion in 2006 and $2.3 billion in 2005. GM's consolidated net sales and revenues were $195.4 billion in 2004 and net income was $2.7 billion. Further information on each of GM's businesses and geographic regions are discussed below.

GM AUTOMOTIVE OPERATIONS FINANCIAL REVIEW

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
Total Automotive net sales and revenues	**$ 173,089**	$ 160,197	$ 162,369
Automotive cost of sales	**(164,839)**	(158,164)	(150,360)
Selling, general & administrative expenses	**(13,218)**	(12,758)	(11,486)
Income (loss), before income tax expense (benefit)	**(5,665)**	(13,223)	(551)
Income tax (expense) benefit	**2,310**	2,775	1,177
Equity income (loss) and minority interests	**187**	484	744
Net income (loss) before cumulative effect of a change in accounting principle	**(3,168)**	(9,964)	1,370
Cumulative effect of a change in accounting principle	**–**	(109)	–
Net income (loss)	**$ (3,168)**	$ (10,073)	$ 1,370
(Volume in thousands)			
GM production volume	**9,181**	9,051	9,098
Vehicle unit sales industry	**67,515**	65,154	62,822
GM global automotive market share	**13.5%**	14.1%	14.3%

GM management evaluates its automotive business and makes certain decisions using supplemental measures for variable expenses and non-variable expenses. GM believes that because these measures provide it with useful information, investors would find it beneficial to have the opportunity to view the business in a similar manner. See "Explanation of contribution costs, structural costs and impairment and restructuring charges" below.

	Years Ended December 31,		
(Dollars in billions)	**2006**	2005	2004
Automotive net sales and revenues	**$ 173**	$ 160	$ 162
Contribution costs (a)	**$(119)**	$(110)	$(108)
Structural costs (b)	**$ (52)**	$ (55)	$ (52)
Impairment and restructuring charges (c)	**$ (7)**	$ (5)	$ (1)

(a) *Contribution costs are expenses that are considered by GM to be variable with production. The amount of contribution costs included in cost of sales is $118 billion, $109 billion, and $107 billion in 2006, 2005, and 2004, respectively, and those costs are comprised of material cost, freight, and policy and warranty expenses. The amount of contribution costs included in selling, general, and administrative expenses is $1 billion in each of 2006, 2005, and 2004, and those costs are related to advertising expense.*

(b) *Structural costs are expenses that do not generally vary with production and are recorded in both cost of sales and selling, general, and administrative expenses, such as costs of manufacturing labor, pension/OPEB, engineering expense, and marketing related costs. Certain costs related to restructuring and impairments that are included in cost of sales are also excluded from structural costs. The amount of structural costs included in cost of sales is $40 billion, $44 billion, and $42 billion in 2006, 2005, and 2004, respectively, and the amount of structural costs included in selling, general and administrative expenses is approximately $12 billion, $11 billion, and $10 billion in 2006, 2005, and 2004, respectively,*

(c) *The amount of impairment and restructuring charges included in cost of sales is $7 billion, $5 billion, and $1 billion in 2006, 2005, and 2004, respectively.*

INDUSTRY GLOBAL VEHICLE SALES

Worldwide industry vehicle unit sales increased approximately 2.4 million units in 2006, to about 67.5 million units, compared to about 65.2 million units in 2005. Industry sales decreased in North America by approximately 350 thousand units, to 20.2 million units, compared to about 20.5 million units in 2005.

Consolidated Results of Operations *(continued)*

All other regions experienced growth in industry unit volume compared to 2005, particularly the Latin America/Africa/Mid-East region, up about 830 thousand units to about 6.1 million units in 2006, and the Asia Pacific region, up approximately 1.2 million units to about 19.5 million units in 2006.

GM GLOBAL VEHICLE SALES

Worldwide GM vehicle unit sales were 9.1 million units, a decline of approximately 79 thousand units, compared to about 9.2 million units in 2005. GME, GMLAAM, and GMAP all reported sales unit increases, while a sales decline was reported in GMNA. Global market share for GM was 13.5% compared to 14.1% in 2005. GM market share increased in GMLAAM and GMAP, with a share loss at GMNA and a slight reduction at GME contributing to the overall drop in global market share.

GM global production volume for 2006 was 9.2 million units, an increase of approximately 130 thousand units from 2005. Production increased year-over-year in GMLAAM and GMAP, with a slight decrease in GME and an approximately 210 thousand unit reduction in GMNA.

In 2004, GM achieved a global market share of 14.3%, with vehicle unit sales of 9.0 million units and global production of 9.1 million units.

AUTOMOTIVE REVENUES

GM automotive revenues were $173 billion in 2006, an increase of approximately $13 billion from 2005, as GM sold a mix of products with greater content and higher prices. Pricing improvements in GMNA, GME, and GMLAAM also contributed to the revenue increase as sales allowances were reduced and prices increased on new model introductions. Strategic unit sales volume reductions to less profitable daily rental fleets in GMNA and GME contributed to improved overall mix and vehicle revenue per unit. Key factors in the increase in total revenue over 2005 include:

- Approximately $7 billion due to vehicle mix and pricing, resulting from changes to GM's vehicle portfolio including new fullsize utilities in North America.
- Approximately $2 billion due to increased production volume globally
- Approximately $2 billion due to the consolidation of GM Daewoo on June 30, 2005, providing a full year of revenue reported in 2006 as compared to a half year reported in 2005.
- Approximately $2 billion due to the impact of foreign exchange rates, primarily the Canadian Dollar, Euro, U.K. Pound, Swedish Krona, Brazilian Real, and Korean Won versus the U.S. Dollar.

GM automotive revenues were $162 billion in 2004. The decrease from 2004 to 2005 was due to lower production and mix declines as a result of sales reductions of fullsize utility, pickup, midsize utility, and medium car segments at GMNA. Revenues increased at GMLAAM and GMAP.

CONTRIBUTION COSTS

Contribution costs in 2006 totaled $119 billion, an increase of $9 billion from 2005. The increase is a result of increased material costs from higher production volume and higher levels of vehicle content and product mix, as well as higher freight cost. Material performance is slightly favorable year-over-year as improvements realized from global architecture sourcing and optimizing manufacturing and supplier footprints offset higher raw material costs. Increased global demand for aluminum, copper, precious metals, petroleum, and resins increased contribution costs by $0.6 billion in 2006 versus 2005. Contribution costs as a percentage of revenue were unchanged in 2006 from 2005.

Contribution costs were $110 billion in 2005 compared to $108 billion in 2004. Contribution costs increased from 2004 to 2005 in total and as a percentage of revenue. The increase was primarily due to unfavorable mix at the total automotive level as production declined at GMNA along with fewer fullsize utilities and pickups, offset by production increases at GME, GMLAAM, and GMAP. Higher steel and non-ferrous metal prices resulted in an increase in material costs of $0.7 billion in 2005.

STRUCTURAL COSTS

Automotive structural cost were $52 billion in 2006, a decrease of approximately $3 billion from 2005. Cost reductions in GMNA of over $6 billion were the primary reason for this reduction, partially offset by structural cost increases in GMLAAM and GMAP as GM continued to invest in infrastructure to support the higher unit production and sales volumes in those regions. Consolidation of GM Daewoo also increased 2006 structural cost in GMAP by over $1 billion as compared to 2005 since GM Daewoo was consolidated on June 30, 2005.

The majority of structural cost reductions in North America were driven by turnaround actions implemented throughout 2006, largely related to changes to pension, OPEB, and the hourly workforce level:

- GMNA pension and OPEB costs were reduced by $2.8 billion largely as a result of the UAW Health Care Settlement Agreement, the hourly accelerated attrition program, and changes to salaried pension and health care benefit plans.
- GMNA manufacturing costs were reduced by $1.0 billion as total labor costs were lowered as employees retired or left GM under the accelerated attrition program offered to hourly employees represented by the UAW and IUE/CWA. Approximately 34,400 GM hourly employees agreed to participate in the program and have retired or left the company as of January 1, 2007.
- Other Automotive costs were lower due to reduction in various administrative costs and in global engineering, where costs were lower as GM increasingly leveraged global vehicle development and architectures.

Automotive structural costs were $52 billion in 2004 and increased by $3 billion in 2005. Health-care expense increased primarily due to escalating health-care cost trends and falling discount rates in the United States. Global consumer influence expense increased due to efforts to increase product awareness. Other costs increased outside of North America as GM invested in emerging markets.

IMPAIRMENT AND RESTRUCTURING CHARGES

GM incurred certain expenses primarily related to restructuring and asset impairments, which are included in Automotive cost of sales. Such costs totaled approximately $7 billion, $5 billion, and $1 billion in 2006, 2005, and 2004, respectively.

	Years Ended December 31,		
(Dollars in billions)	**2006**	2005	2004
UAW Attrition Agreement	**$ 6.4**	$ –	$ –
Vehicle impairments	**0.5**	1.2	0.6
Facility impairments	**0.2**	0.9	0.2
Restructuring initiatives	**(0.4)**	3.1	–
Other	**0.2**	–	–
Total	**$ 6.9**	$5.2	$0.8

Consolidated Results of Operations *(continued)*

The 2006 amounts are related to the following:

- $6.4 billion net charge related to the program under the UAW Attrition Agreement (UAW Attrition Program), primarily for payments to employees (approximately $2.1 billion) and for the curtailment charges associated with GM's U.S. hourly pension, OPEB, and extended disability plans as a result of the UAW Attrition Program (approximately $4.3 billion).
- Approximately $0.4 billion of impairment charges related to the write-down of product-specific assets, primarily at GMNA.
- Approximately $0.1 billion of impairment charges related to the write-down of plant facilities at GME.
- Approximately $0.6 billion for various restructuring and other matters. Of this total, approximately $0.4 billion was incurred at GME, with additional charges recorded at the other regions. A favorable revision to the reserve recorded in the fourth quarter of 2005 related to North American plant capacity actions (approximately $1.0 billion), primarily attributable to the impact of the UAW Attrition Program. This is more fully discussed below in "GM-UAW-Delphi Special Attrition Program Agreement".
- Approximately $0.2 billion taken in conjunction with cessation of production at a previously divested business.

The 2005 amounts are related to the following:

- Approximately $1.2 billion for impairment charges related to the write-down of product-specific assets, of which $0.7 billion was at GMNA, $0.3 billion was at GME, with additional charges taken at GMLAAM and GMAP.
- Approximately $0.8 billion of impairment charges related to the write-down of plant facilities at GMNA.
- Approximately $3.1 billion associated with restructuring initiatives. Of this, approximately $2.0 billion was incurred at GMNA, including $1.8 billion for employee related costs in connection with the restructuring initiatives announced in the fourth quarter of 2005, and approximately $0.2 billion associated with a voluntary early retirement program and other separation programs related to the U.S. salaried workforce. GME recognized separation and contract cancellation charges of $1.1 billion, mainly related to the restructuring plan announced in the fourth quarter of 2004. In addition, GMAP recognized separation costs related to restructuring activities at GM Holden Australia.

In 2004, charges were recognized for asset impairments totaling approximately $0.8 billion. Vehicle tooling impairments were $0.6 billion, and plant and facilities impairments were $0.2 billion.

INTEREST EXPENSE, OTHER EXPENSE, INTEREST INCOME AND OTHER NON-OPERATING INCOME, EQUITY INCOME AND MINORITY INTEREST, AND TAX BENEFIT

Automotive interest expense in 2006 was $4.3 billion, an increase of $0.3 billion from 2005, resulting primarily from intercompany transactions between Automotive and Other Operations. In total, Automotive and Other Operations interest expense was $2.6 billion in 2006, $100 million higher than 2005. Automotive interest expense was $3.2 billion in 2004, $2.3 billion at Automotive and Other Operations after intercompany elimination.

Other expense was zero in 2006, an improvement from the $0.8 billion expense recorded in 2005 due to the write-down to fair value of GM's investment in approximately 20% of the common stock of Fuji Heavy Industries (FHI) in 2005.

Interest income and other non-operating income was $3.6 billion in 2006, an increase of $1.3 billion from 2005. The $1.3 billion increase was a result of gains associated with the sale of Mesa, Arizona Proving Grounds, and part of our interest in Suzuki Motor Corporation (Suzuki), and Isuzu Motors Limited (Isuzu). Interest income and other non-operating income was $2.2 billion in 2004.

Automotive equity income and minority interest was $200 million in 2006, $300 million lower than 2005 due to the sale of the majority of GM's investment in Suzuki and an increase in minority interest associated with the consolidation of GM Daewoo in June 2005. Equity income and minority interest was $700 million in 2004, $200 million higher than in 2005, primarily due to consolidation of GM Daewoo in 2005.

Automotive tax was a net benefit of $2.3 billion in 2006 and $2.8 billion in 2005. Tax benefit was $1.2 billion in 2004, reflecting primarily tax benefits in GMNA.

NET INCOME/LOSS

As a result of the above factors, GM's Automotive business incurred net losses from continuing operations of $3.2 billion and $10.1 billion in 2006 and 2005, respectively. 2005 net loss of $10.1 billion included $100 million cumulative effect of a change in accounting principle related to implementation of FIN 47 "Accounting for Conditional Asset Retirement Obligations". Automotive net income was $1.4 billion in 2004.

EXPLANATION OF CONTRIBUTION COSTS, STRUCTURAL COSTS, AND IMPAIRMENT AND RESTRUCTURING CHARGES

Management believes that contribution costs, structural costs, and impairment and restructuring charges provide meaningful supplemental information regarding our expenses because they place Automotive expenses into categories that allow GM management to assess the cost performance of GMA and the geographic regions. GM management uses these categories to evaluate GM's expenses and believes these measures allow GM management to readily view operating trends, perform analytical comparisons, benchmark expenses among geographic regions, and assess whether the turnaround and globalization strategy for cutting costs are on target. GM management uses these categories for forecasting purposes, evaluating management, and determining its future capital investment allocations. Accordingly, GM believes these categories are useful to investors in allowing for greater transparency of supplemental information used by management in its financial and operational decision-making.

While GM believes that contribution costs, structural costs, and impairment and restructuring charges provide useful information, there are limitations associated with the use of these categories. Contribution costs, structural costs, and impairment and restructuring charges may not be completely comparable to similarly titled measures of other companies due to potential differences in the exact method of calculation between companies. As a result, these categories have limitations and should not be considered in isolation from, or as a substitute for, other measures such as cost of sales and selling, general, and administrative expenses. GM compensates for these limitations by using these categories as supplements to cost of sales and selling, general, and administrative expenses.

Consolidated Results of Operations *(continued)*

GM AUTOMOTIVE REGIONAL RESULTS

GM NORTH AMERICA

(Dollars in millions)	Years Ended December 31, 2006	2005	2004
GMNA:			
Total net sales and revenues	**$109,779**	$105,640	$115,321
Income (loss) before income tax expense (benefit)	**$ (6,903)**	$ (10,583)	$ 725
Income tax (expense) benefit	**2,243**	2,480	600
Equity income (loss) and minority interest	**41**	(47)	32
Net income (loss) before cumulative effect of a change in accounting principle	**(4,619)**	(8,150)	1,357
Cumulative effect of a change in accounting principle	**–**	(83)	–
Net income (loss)	**$ (4,619)**	$ (8,233)	$ 1,357
Net margin	**(4.2)%**	(7.8)%	1.2%
(Volume in thousands)			
Production volume			
Cars	**1,822**	1,834	1,997
Trucks	**2,827**	3,022	3,223
Total GMNA	**4,649**	4,856	5,220
Vehicle unit sales			
Industry – North America	**20,191**	20,546	20,279
GM as a percentage of industry	**23.8%**	25.5%	26.7%
Industry – U.S.	**17,060**	17,456	17,302
GM as a percentage of industry	**24.2%**	25.9%	27.2%
GM cars	**20.7%**	22.6%	24.9%
GM trucks	**27.1%**	28.5%	29.0%

North American industry vehicle unit sales declined 1.7% to 20.2 million units during 2006, and we expect unit sales to be relatively flat in 2007. While industry volume declined 1.7%, GMNA's production declined 4.3% to 4.6 million units. GMNA ended the year with a market share of 23.8% for 2006, compared to 25.5% for 2005.

During 2006, industry vehicle unit sales in the United States decreased to 17.1 million units, while GM's U.S. market share decreased by 1.7 percentage points due in part to a strategic decision to reduce sales to daily rental customers by approximately 75,000 units, because of the comparatively low profits from such sales, and due to a consumer shift to passenger cars where GM traditionally has lower penetration. Dealer inventories in the U.S. totaled approximately 1.050 million units as of December 31, 2006, consistent with management's expectations as well as in-line with year ago levels. Despite the decline in volume, revenue in North America increased in 2006 over 2005 by $4.1 billion or 3.9%, driven primarily by a favorable mix of higher end products. In 2005 revenue declined by $9.7 billion or 8.4% compared to 2004, driven primarily by unfavorable product mix and a decline in sales volume.

2006 VS. 2005 EARNINGS

Pre-tax earnings at GMNA improved by $3.7 billion in 2006, from a loss of $10.6 billion in 2005 to a loss of $6.9 billion in 2006. Major factors contributing to the improvement included:

- Pension and OPEB costs decreased by $2.8 billion largely as a result of the UAW Health Care Settlement Agreement which reduced hourly OPEB costs, the impact of the UAW Attrition Program, and the effects of the changes in salaried retiree benefits plans announced in the first quarter of 2006.
- Other costs decreased by approximately $2.5 billion due to a reduction in advertising and sales promotion expenses, more efficient engineering spending, and lower product warranty and recall costs as a result of improved vehicle quality. In addition, GMNA's product liability reserve decreased by approximately $0.1 billion, after including a charge for "incurred but not reported" asbestos liabilities of approximately $0.1 billion.
- Manufacturing related structural costs decreased by $1.0 billion, as a result of the UAW Attrition Program under which approximately 34,400 GM hourly employees have retired or left GM by January 1, 2007.
- Favorable product mix resulted in increased earnings of approximately $0.4 billion due primarily to the launch of the new full-size utilities.
- The sale of the Mesa, Arizona Proving Grounds resulted in a $270 million gain in 2006.
- In connection with the GMAC Transaction in the fourth quarter of 2006, GM reduced its lease residual and risk sharing support expense by approximately $0.2 billion because negotiated payments for lease residual and risk sharing support were lower than the previously recorded liabilities.
- Production volume decreases of 4.3% attributable to GMNA's market share decline and the reduction in sales to daily rental businesses by approximately 75,000 units, resulted in a decrease in earnings of approximately $1.0 billion.

In addition to the above factors, there were restructuring and impairment charges of approximately $6.2 billion in 2006, as compared to $3.6 billion in 2005. The table below provides further information regarding these charges.

(Dollars in billions)	2006	2005
GMNA Restructuring and Impairment Charges		
UAW Attrition Agreement	**$ 6.4**	$ –
Vehicle impairments	**0.5**	0.7
Facility impairments	**–**	0.8
Adjustment to 2005 capacity reserve and other restructuring initiatives	**(0.9)**	2.0
Other	**0.2**	–
Total	**$ 6.2**	$3.5

GMNA's net loss improved by $3.6 billion, from a net loss of $8.2 billion in 2005 to a net loss of $4.6 billion in 2006. The improvement was driven by matters discussed above and their related tax effects.

2005 VS. 2004 EARNINGS

Pre-tax earnings at GMNA declined by $11.3 billion in 2005, from pre-tax earnings of $0.7 billion in 2004 to a loss of $10.6 billion in 2005. Major factors contributing to the decline included:

- Unfavorable product mix adversely affected earnings by approximately $2.7 billion due primarily to reduced demand for GMNA's large utility vehicles which were reaching the end of their product life cycle, as well as declines in sales of higher margin large cars.
- Production volume decreases of 7% attributable to GMNA market share decline and a significant reduction in dealer inventories accounted for a decrease in earnings of approximately $2.5 billion.
- Unfavorable material costs after factoring in the cost of government mandated product improvements accounted for a decrease in earnings of approximately $0.9 billion.

Consolidated Results of Operations *(continued)*

- Increased health care expenses primarily due to the recognition of OPEB net actuarial losses, caused by escalating health-care cost trends and falling discount rates in the United States, accounted for a decrease in income of approximately $0.7 billion. These 2005 health-care cost increases do not reflect new health-care initiatives with the UAW and salaried employees and retirees, which will benefit subsequent years.

- Other factors resulted in a decrease in earnings of approximately $0.9 billion. The largest of these relates to increased advertising and sales promotion costs resulting from further efforts to increase product awareness.

- In 2004 GMNA recognized a gain on sale of XM Satellite Radio Holdings stock of approximately $200 million.

- In addition to the above, there were restructuring and impairment charges of approximately $3.6 billion in 2005, as compared to $0.3 billion in 2004. The table below provides further information regarding these charges.

(Dollars in billions)	2005	2004
GMNA Restructuring and Impairment Charges		
Vehicle Impairments	$0.7	$0.1
Facility Impairments	0.8	0.2
Restructuring Initiatives	2.0	–
Total	$3.5	$0.3

GM EUROPE

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
Total net sales and revenues	**$33,193**	$31,892	$31,196
(Loss) before income tax expense (benefit)	**$ (312)**	$ (1,794)	$ (1,424)
Income tax (expense) benefit	**72**	734	599
Equity income (loss) and minority interests	**15**	53	57
Net (loss) before cumulative effect of a change in accounting principle	**(225)**	(1,007)	(768)
Cumulative effect of a change in accounting principle	**–**	(21)	–
Net income (loss)	**$ (225)**	$ (1,028)	$ (768)
Net margin	**(0.7)%**	(3.2)%	(2.5)%
(Volume in thousands)			
Production volume	**1,806**	1,858	1,829
Vehicle unit sales	**2,003**	1,984	1,956
Industry	**21,763**	21,079	20,778
GM as a percentage of industry	**9.2%**	9.4%	9.4%
GM market share – Germany	**10.1%**	10.8%	10.6%
GM market share – United Kingdom	**14.3%**	14.7%	13.9%

Industry vehicle unit sales in Europe increased to 21.8 million units in 2006, or 3.2% over 2005 and 4.7% over 2004. GME's 2006 total market share decreased slightly to 9.2% from 9.4%. European industry vehicle unit sales are expected to be relatively flat in 2007. In the two largest markets in Europe, GM market share decreased: market share was 10.1% in Germany, a 0.7 percentage point decrease versus 2005 and a 0.5 percentage point decrease versus 2004; and in the United Kingdom market share was 14.3%, a decrease of 0.4 percentage point versus 2005 and an increase of 0.4 percentage point versus 2004. Revenues in 2006 increased $1.3 billion or 4.1% over 2005, primarily due to the impact of full consolidation of the European powertrain organization and improved pricing. Revenue in 2005 increased $0.7 billion over 2004 driven primarily by favorable mix partly offset by volume declines and negative pricing.

2006 VS. 2005 EARNINGS

The GME restructuring plan announced in the fourth quarter of 2004 gained further traction in 2006 and, together with continued progress on pricing and material cost, delivered improved results in 2006 compared to previous periods. Loss before taxes from GME totaled $312 million, $1.8 billion and $1.4 billion in 2006, 2005, and 2004, respectively. The improvement of $1.5 billion in loss before taxes in 2006 versus 2005 was primarily due to the following factors:

- Improvement in operating performance of $0.8 billion – Material cost performance and structural cost performance resulting from the implementation of the restructuring plan, along with improved pricing, which more than offset volume declines and additional cost related to product upgrades.

- Lower restructuring and impairment charges of $0.7 billion – Restructuring and impairment charges for 2006 totaled $586 million compared to $1,330 million in 2005. The 2006 charges included impairment charges of $149 million, of which $89 million related to the closure of GM's Portugal assembly plant and $60 million related to product specific assets. Separations and contract cancellations totaled $437 million, mostly related to the closure of GM's Portugal assembly plant, a shift reduction in GM's Ellesmere Port assembly plant, and the restructuring plan announced in the fourth quarter of 2004. The charges for 2005 comprehended separations and contract cancellation costs of $1.1 billion, mainly related to the restructuring plan announced in the fourth quarter of 2004, but also included costs related to the dissolution of the Powertrain joint venture with Fiat S.p.A. (Fiat) and other contract cancellations of $59 million, and a charge for product specific asset impairments of $262 million.

GME's 2006 net loss of $225 million declined by $803 million from the loss of $1.0 billion in the prior year. This is largely comprised of the operating improvements and the lower restructuring and impairment charges discussed above, plus the related tax effect on these items. In addition, 2005 included a charge of $21 million in connection with the adoption of FIN 47, "Accounting for Conditional Asset Retirement Obligations", and favorable equity income related to the effects of changes in the Polish tax law.

2005 VS. 2004 EARNINGS

The increase in GME's loss before tax in 2005 versus 2004 of approximately $0.4 billion resulted mainly from the following factors:

- Higher restructuring and impairment charges of $1.0 billion – Restructuring and impairment charges for 2005 of $1.3 billion compared to $372 million in 2004. The charges for 2005 comprehended separations and contract cancellation costs of $1.1 billion, mainly related to the restructuring plan announced in the fourth quarter of 2004, but also included costs related to the dissolution of the Powertrain joint venture with Fiat, and other contract cancellation costs of $59 million, and a charge for product specific asset impairments of $262 million. The charges for 2004 consisted of product specific asset impairments.

- Improvement in operating performance of $0.6 billion – Primarily favorable mix together with material cost performance and structural cost performance resulting from the implementation of the above-mentioned restructuring plan, more than compensated for volume declines and negative pricing.

The GME turnaround plan remains on track, and we expect to see more progress in 2007. In addition to the continued implementation of our significant cost reduction initiatives, we expect to benefit from the introduction of new products such as the Opel Corsa and the Opel Antara and will continue to focus on the rollout of our multi-brand strategy.

Consolidated Results of Operations *(continued)*

GM LATIN AMERICA/AFRICA/MID-EAST

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
Total net sales and revenues	**$14,618**	$11,844	$8,877
Income before income tax expense	**$ 527**	$ 43	$ 94
Income tax (expense) benefit	**(28)**	(611)	(33)
Equity income (loss) and minority interests	**(9)**	4	(11)
Net income (loss) before cumulative effect of a change in accounting principle	**490**	(564)	50
Cumulative effect of a change in accounting principle	**–**	(2)	–
Net income (loss)	**$ 490**	$ (566)	$ 50
Net margin	**3.4%**	(4.8)%	0.6%
(Volume in thousands)			
Production volume	**830**	775	716
Vehicle unit sales	**1,035**	882	740
Industry	**6,076**	5,242	4,605
GM as a percentage of industry	**17.0%**	16.8%	16.1%
GM market share – Brazil	**21.3%**	21.3%	23.1%

The industry in Latin America, Africa and Mid-East increased to 6.1 million units in 2006, up 15.9% versus 2005. GMLAAM's vehicle unit sales increased by 17.3% over 2005 and 39.9% over 2004. The calendar year 2006 was a record breaking year for GMLAAM. The region achieved a sales volume record of 1.03 million units, the first time in history where GMLAAM exceeded more than 1 million units in annual sales. This growth led to a 17.0% market share in GMLAAM, a 0.2 percentage point increase compared to 2005 and a 0.9 percentage point increase over 2004. This overall market share gain was primarily attributable to increases in Colombia, Africa, and the Middle East, while Brazil's market share remained flat in 2006.

The year-end consumer price inflation dropped from 2005 to 2006 in Brazil (GMLAAM's largest market) from 5.7% to 3.3%, in Argentina from 12.1% to 9.7%, in Chile from 3.7% to 2.6%, in Colombia from 4.8% to 4.5%, and in Ecuador from 3.1% to 2.9%. The consumer price inflation at year-end increased from 2005 to 2006 in Venezuela from 14.6% to 17.3% and in South Africa from 3.6% to 5.8%. An overall decrease in inflation for the region improved the affordability of GM's products and contributed to the increased net sales and income. Inflation in Brazil, Venezuela, and Colombia in 2005 decreased as compared to 2004 while inflation increased in Argentina, Chile, Ecuador, and South Africa.

2006 VS. 2005 EARNINGS

In 2006, GMLAAM achieved record revenue of $14.6 billion, an increase of $2.8 billion or 23% over the prior year, driven by strong volume. Pre-tax income of $527 million increased $484 million versus 2005 income of $43 million. This improvement of approximately $0.5 billion was due to various factors, including:

- Higher production volumes and improved product mix contributed approximately $0.4 billion
- Favorable pricing contributed approximately $0.3 billion
- A reduction from 2005 to 2006 of approximately $0.1 billion in restructuring and impairment charges
- Unfavorable foreign exchange of approximately $0.2 billion
- Other unfavorable factors totaling about $0.1 billion

GMLAAM reported net income of $490 million in 2006, an approximately $1.1 billion improvement over 2005's reported net loss of $566 million. This increase is largely comprised of the operational improvement and the favorable impact on restructuring and impairment charges previously discussed, and a tax valuation allowance which was established in 2005 at GM do Brasil for $617 million associated with DTAs that could no longer be realized.

2005 VS. 2004 EARNINGS

GMLAAM reported 2005 net revenues of $11.8 billion, which was an increase of $3.0 billion from 2004. Income before tax decreased from $94 million in 2004 to $43 million in 2005. The deterioration of $51 million was due in part to an impairment charge of $150 million for assets still in service (related to GMLAAM's export business) in 2005, partly offset by favorable volume, product mix, and pricing improvements.

For 2007, the industry is expected to continue to grow, but at a more moderate rate. Consumer price inflation is expected to remain under control in Brazil, Colombia, Chile, Ecuador, and South Africa with increases expected in Argentina and Venezuela for 2007. GMLAAM expects to launch four new products including the Chevrolet Captiva across many Latin American countries, the Chevrolet Epica in Venezuela and Africa, the Cadillac BLS and SRX in South Africa, and the GMC Acadia in the Middle East. This is in addition to the launch of the Hummer H3G in South Africa at the end of 2006. GMLAAM is also planning to grow its aftermarket sales business in 2007. The region will also continue a strong focus on reducing structural costs across the region to offset volume related cost increases.

GM ASIA PACIFIC

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
Total net sales and revenues	**$15,499**	$10,821	$6,975
Income (loss) before income tax expense (benefit)	**$ 1,023**	$ (889)	$ 54
Income tax (expense) benefit	**23**	172	11
Equity income (loss) and minority interests	**140**	474	666
Net income (loss) before cumulative effect of a change in accounting principle	**1,186**	(243)	731
Cumulative effect of a change in accounting principle	**–**	(3)	–
GMAP net income (loss)	**$ 1,186**	$ (246)	$ 731
GMAP net margin	**7.7%**	(2.3)%	10.5%
(Volume in thousands)			
Production volume (1)	**1,896**	1,562	1,333
Vehicle unit sales (2) (3)	**1,253**	1,065	887
Industry	**19,485**	18,287	17,160
GM as a percentage of industry	**6.4%**	5.8%	5.2%
GM market share – Australia	**15.4%**	17.8%	19.4%
GM market share – China (3)	**11.8%**	11.2%	9.4%

(1) *2006, 2005 and 2004 calendar years include GM Daewoo and Wuling joint venture production.*
(2) *Includes GM Daewoo and Wuling joint venture sales for 2006, 2005, and 2004.*
(3) *Includes Wuling joint venture sales due to GM equity position and local ownership requirements.*

Industry vehicle unit sales in the Asia Pacific region increased approximately 6.6% in 2006, to 19.5 million units from 18.3 million units in 2005. This result reflects strong growth in China, where industry vehicle unit sales increased 25.8% to 7.4 million units in 2006, from 5.9 million units in 2005. GMAP increased its vehicle unit sales in the Asia Pacific region by almost 18% in 2006, to 1.3 million units from 1.1 million in 2005. GMAP's 2006 market share was 6.4%, a 0.6 percentage point increase over 2005 and a 1.2 percentage point increase over 2004. Market share in China increased 0.6 percentage points to 11.8% in 2006, and market share in Australia fell 2.4 percentage points to 15.4% in 2006. As a result of increased vehicle unit sales and the June 30, 2005 consolidation of GM Daewoo, GMAP revenue rose 43% to $15.5 billion in 2006 compared to $10.8 billion in 2005. In 2005 revenue grew $3.8 billion, or 55% over 2004.

Consolidated Results of Operations *(continued)*

2006 VS. 2005 EARNINGS

Income (loss) before tax benefit for GMAP was $1.0 billion and $(889) million in 2006 and 2005, respectively. Income before tax benefit improved by $1.9 billion in 2006 versus 2005, principally due to the following:

- The write-down to fair market value of GM's investment in FHI resulted in a loss of $735 million in 2005.
- In 2006, GM sold approximately 85% of its investment in Suzuki, resulting in a gain of $666 million.
- GM also sold its remaining interest in Isuzu for a gain of $311 million in 2006.
- Improved performance of approximately $200 million at GM Daewoo on a fully consolidated basis, resulting from increased volume and improved material cost performance, partially offset by unfavorable foreign exchange and interest.
- In addition, restructuring and impairment charges were $42 million less in 2006 versus 2005.

The reduction in equity income and minority interests from 2005 to 2006 resulted from the sale of the majority of GM's equity investment in Suzuki and decreased equity income associated with the consolidation of GM Daewoo beginning June 30, 2005.

GMAP's net income improved by $1.4 billion, from a net loss of $246 million in 2005 to a net income of $1.2 billion in 2006. This improvement was driven by the matters previously discussed, as well as their related tax effects, and the reversal of a deferred tax asset valuation allowance in 2006 at GM Daewoo for $215 million, as management now believes these deferred tax assets will be utilized.

2005 VS. 2004 EARNINGS

Income before tax in GMAP decreased by $0.9 billion in 2005 versus 2004, mainly the result of charges in 2005 related to the $735 million write-down to fair market value of GM's investment in FHI and a charge related to product specific asset impairments of $64 million and separation costs of $54 million at GM Holden in Australia. Unfavorable volume and product mix at GM Holden in Australia was offset by favorable results from GM Daewoo.

In 2007, Asia Pacific regional industry volume is expected to continue to expand, with continued strong growth in China and India. GMAP expects to take advantage of the strong industry and grow revenue in 2007 by continuing to implement the multi-brand strategy in China as well as leverage the product development capabilities of GM Daewoo. Overall, GM's broad operational footprint in the Asia Pacific region well positions it to meet regional market demand. GMAP also expects to improve its material cost performance through increased supplier localization and increase its structural cost in 2007 to take advantage of the continuing robust growth in the region.

CORPORATE AND OTHER OPERATIONS

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
Total net sales, revenues and eliminations	**$ (162)**	$ 31	$ 972
(Loss) before income tax expense (benefit)	**$(1,152)**	$(6,916)	$(2,821)
Income tax (expense) benefit	**1,310**	4,288	1,292
Equity income (loss) and minority interests	**3**	27	(16)
Net income (loss) before cumulative effect of a change in accounting principle	**161**	(2,601)	(1,545)
Cumulative effect of a change in accounting principle	**–**	–	–
Net income (loss)	**$ 161**	$(2,601)	$(1,545)

Total Corporate and Other revenue consists primarily of corporate eliminations.

2006 VS. 2005 EARNINGS

Corporate and Other Operations loss before income tax benefit was $1.2 billion in 2006 compared to $6.9 billion in 2005. The year-over-year improvement in 2006 was primarily due to the 2005 charge of $5.5 billion related to the Delphi benefit guarantee charge pertaining to the contingent exposures relating to Delphi's Chapter 11 filing. During 2006 an additional charge of $0.5 billion was recorded related to the Delphi benefit guarantee (refer to Note 20 to the Consolidated Financial Statements for further background). Results for 2006 also included the benefit of approximately $1.0 billion lower OPEB expense resulting from the UAW Health Care Settlement Agreement that reduced legacy costs related to employee benefits of divested businesses for which GM has retained responsibility and the OPEB curtailment related to the GMAC Transaction. Other costs also increased by approximately $0.5 billion in 2006, primarily related to increased administrative expenses and the elimination of hedge accounting in connection with the restatement of our prior financial statements for SFAS No. 133.

2005 VS. 2004 EARNINGS

Other Operations loss before income tax expense was $2.8 billion in 2004 and included a charge of $1.6 billion related to the settlement agreement reached between GM and Fiat to terminate the Master Agreement (including the Put Option) and settle various disputes between the two companies. Other Operations also included OPEB legacy costs of approximately $0.7 billion and administration expense of $0.4 billion in 2004.

Tax benefit in 2006 was $1.3 billion compared to $4.3 billion in 2005, the reduced benefit primarily related to the larger pre-tax loss in 2005. Tax contingencies were reduced by $0.5 billion in 2006. Tax benefit was $1.3 billion in 2004.

Net income was $0.2 billion in 2006 compared to a net loss of $2.6 billion in 2005. Net loss was $1.5 billion in 2004.

FIO FINANCIAL REVIEW

	Years Ended December 31,			
(Dollars in millions)	**2006**		2005	2004
	FIO		FIO	FIO
FIO Results of Operations	GMAC (a)	GMAC (c)		
GMAC:				
Automotive Finance Operations	**$ 1,151**	**$1,174**	$ 880	$1,341
ResCap	**827**	**705**	1,021	904
Insurance Operations	**1,079**	**1,127**	417	329
Other/eliminations	**(882)**	**(881)**	(38)	320
Net Income	**$ 2,175**	**$2,125**	$2,280	$2,894
Equity loss for GMAC (b)	**(5)**			
Preferred Dividends	**9**			
Other Financing	**(1,150)**		(23)	(18)
Total FIO Net Income	**$ 1,029**	**$2,125**	$2,257	$2,876

(a) *GMAC segment data as reported by GM line of business are GMAC's results of operations for 11 months ended November 30, 2006.*
(b) *This represents GM's share of GMAC's loss for one month (December) following the sale of GMAC using the equity method.*
(c) *This represents GMAC's reported results for the year ended December 31, 2006.*

GM's FIO business consists of the results of GMAC's lines of business: Automotive Finance Operations, ResCap; Insurance, and Other, which includes its Commercial Finance business and GMAC's equity investment in Capmark. Also included in FIO is Other Financing, which includes financing entities that are not consolidated by GMAC as well as two special purpose entities holding automotive leases previously owned by GMAC and its affiliates that were transferred to GM as part of the GMAC Transaction.

FIO net income was $1.0 billion, $2.3 billion and $2.9 billion for the years ended December 31, 2006, 2005 and 2004, respectively. This decrease of 54% or 1.2 billion from 2005 to 2006, was primarily due to the GMAC transaction as discussed in more detail below. In 2006, FIO net income of $1.0 billion includes

Consolidated Results of Operations *(continued)*

12 months of activity for GMAC comprised of 11 months of operations as a wholly-owned subsidiary of General Motors Corporation totaling $2.2 billion of income and one month of equity loss of $5 million as a result of the sale of a controlling interest in GMAC to FIM Holdings LLC. All comparisons for the GMAC activity below are on a 12 months basis.

Automotive Finance Operations net income for 2006 increased 33% when compared to 2005. Net income was positively impacted by $383 million related to the write-off of certain net deferred tax liabilities as part of the conversion of GMAC to an LLC during November 2006. These net deferred tax liabilities have been simultaneously recorded in GM's parent company financial statements through income tax expense. Results for 2006 include an unfavorable after-tax earnings impact of $135 million from a $1 billion debt tender offer to repurchase certain deferred interest debentures. The decrease in 2005 net income from 2004 reflects lower net interest margins as a result of increased borrowing costs due to widening spreads and higher market interest rates.

ResCap net income for 2006 declined 31% when compared to 2005. The 2006 operating results were adversely affected by domestic economic conditions especially during the fourth quarter. These developments were offset by the conversion to an LLC for income tax purposes, which resulted in the elimination of a $523 million net deferred tax liability. Excluding the LLC benefit, ResCap's net income was $182 million. The increase in 2005 net income over 2004 reflects improvements in earnings from increased loan production, favorable credit experience, improved mortgage servicing results, and gains on sales of mortgages.

Insurance Operations net income totaled a record $1.1 billion in 2006 compared to $417 million in 2005. The increase in income is mainly a result of higher realized capital gains of approximately $1.0 billion in 2006 as compared to $108 million in 2005. Underwriting results were favorable primarily due to increased insurance premiums and service revenue earned and improved loss and loss adjustment expense experience partially offset by higher expenses. The increase in 2005 net income over 2004 reflects a combination of strong results achieved through increased premium revenue, higher realized capital gains, and improved investment portfolio performance.

GMAC's Other segment had a net loss of $881 million in 2006 compared to a loss of $38 million in 2005. The increased loss was mainly due to the decline in income from Capmark (GMAC's former commercial mortgage operations) of $237 million due to the sale of 79% interest of the business on March 23, 2006, additional non-cash goodwill charges of $695 million, higher loss provisions, and the tax impact related to GMAC's LLC conversion. Other segment net income decreased 111% in 2005 compared with 2004 primarily due to $439 million of after-tax goodwill impairment charges in 2005.

FIO Other Financing net loss increased $1.1 billion to $1.2 billion in 2006, mainly due to the $2.9 billion pre-tax loss on the GMAC Transaction. This loss was offset by an increase in income of $2.5 billion related to the ceasing of depreciation on GMAC's long lived assets classified as held for sale. In addition, a $786 million income tax expense arose due to GMAC's LLC conversion, and $351 million of incremental tax arose due to the GMAC sale. These were offset by the reversal of State/Local tax contingencies and income related to the automotive leases transferred to GM as part of the GMAC Transaction. FIO Other net loss increased by $5 million in 2005 in comparison with 2004.

Key Factors Affecting Future and Current Results

The following discussion identifies the key factors, known events, and trends that could affect our future results:

TURNAROUND PLAN

Over the past year, one of our top priorities has been improving our business in North America to position GM for sustained profitability and growth in the long-term and to achieve competitiveness on a global basis in an increasingly global environment. GM has been systematically and aggressively implementing its turnaround plan for GMNA's business to return the operations to profitability and positive cash flow as soon as possible. This plan is built on four elements:

- Product Excellence
- Revitalize Sales and Marketing Strategy
- Accelerate Cost Reductions and Quality Improvements; and
- Address Health Care/Legacy Cost Burden

The following update describes what we have done so far to achieve these elements:

Product Excellence – GM continues to focus significant attention on maintaining consistent product freshness by introducing new vehicles and reducing the average vehicle lifecycle. In 2006 approximately 30% of GMNA's retail sales volume came from cars and trucks launched within the past 18 months. These launches included the next generation of large utility trucks (Chevrolet Tahoe and Suburban, GMC Yukon and Yukon XL, and Cadillac Escalade), Saturn Aura, Chevy HHR, Saturn Sky, Pontiac G-6 convertible, Buick Lucerne, Saab 9-3 SportCombi, Hummer H3, and Cadillac DTS. While all these launch vehicles contributed favorably to improved profitability, sales of the newly launched large utility trucks had the most significant impact on profitability, despite the negative effect of higher fuel prices and overall lower industry demand.

In 2007 we expect that approximately 36% of GMNA's retail sales will come from vehicles launched within 18 months. These launches will include the new Chevrolet Silverado, GMC Sierra, Chevrolet Malibu, Cadillac CTS, and entries in the large crossover segment (GMC Acadia, Saturn Outlook, and Buick Enclave). In support of new car and truck programs, GM's total capital spending in 2006 was $7.5 billion, of which $5.0 billion was devoted to GMNA. GM expects to increase this commitment going forward spending between $8.5 billion and $9 billion in each of 2007 and 2008, of which approximately $5.7 billion in 2007 and approximately $5.5 billion to $5.7 billion in 2008 will be devoted to GMNA.

GMNA is also allocating capital and engineering to support more fuel-efficient vehicles, including hybrid vehicles in the United States, and is increasing production of active fuel management engines and six-speed transmissions. GM recently announced its intention to build its first plug-in hybrid and unveiled the Chevy Volt extended range electric concept vehicle, while at the same time announcing two partnerships to accelerate development of advanced lithium-ion batteries. In addition, GM is undertaking a major initiative in alternate fuels through sustainable technologies such as E85 Flex Fuel vehicles. GM has sold two million E85 vehicles and plans to build over two million more in the next five years. GM is also adding five more E85-capable models to its lineup for 2007, raising GM's total flex-fuel offerings to 14 vehicles.

In addition to offering its flex-fuel vehicles, GM responded to the strong market demand for fuel economy by selling more than one million 2006 model year vehicles that achieve 30 mpg or better on the highway (as estimated by the EPA). In the 2007 model year, GM will increase the number of vehicle models that it sells in the United States that achieve 30 mpg or more to 23 vehicles.

Revitalize Sales and Marketing Strategy – GM is pursuing a revised sales and marketing strategy by focusing on clearly differentiating our brands, optimizing our distribution network, growing in key metropolitan markets, and re-focusing our marketing efforts on the strength and value of our products. GM continues to support a more orderly and consistent alignment of its dealers, particularly among Buick, Pontiac, and GMC dealers, which we believe will strengthen those brands.

In January 2006, GM significantly lowered manufacturer's suggested retail prices on vehicles that accounted for about 80% of its 2006 model year automotive sales volume. GM's promotion strategy now emphasizes its brands and vehicles, rather than price incentives. In addition, GM intends to increase advertising in support of new products and specific marketing initiatives to improve GM's sales performance in certain metropolitan markets.

In September 2006, GM extended its powertrain warranty policy to five years or 100,000 miles, applicable to all 2007 models in the United States and Canada. GM believes that with its expanded warranty it now offers more extensive warranty coverage in the United States and Canada than any other full-line vehicle manufacturer. We anticipate that this expanded warranty will enhance consumer confidence in the quality and durability of our vehicles in the United States and Canada.

GM's pricing strategy, improved quality, and product execution, reduced sales to daily rental fleets, as well as a strong market for used vehicles, resulted in higher residual values on GM's cars and trucks.

For 2007, GM plans to continue to focus on consistent alignment of its dealers, particularly among Buick, Pontiac, and GMC dealers, improved retail performance in key metropolitan markets, and further reductions in sales to daily rental companies.

Accelerate Cost Reductions and Quality Improvements – Following our November 2005 announcement of our strategy to reduce structural costs in the manufacturing area, GM has introduced a variety of initiatives to accomplish that strategy. In 2007, we expect to realize the $9 billion structural-cost savings target versus 2005 in our GMNA and Corporate and Other segments on a running rate basis. Running rate basis refers to the average annualized cost savings into the foreseeable future anticipated to result from cost savings actions when fully implemented. GM realized $6.8 billion in structural cost reductions in North America during 2006, exceeding the $4 billion of structural cost reductions estimated for 2006 in GM's 2005 Annual Report on Form 10-K. This improvement is due largely to the success of the attrition programs, including the effect of the pension remeasurement. The expected total annual cash savings from structural cost reductions is approximately $5 billion on an average running rate basis. In addition, GM is focusing on our long-term goal of reducing our global automotive structural costs to 25% of global revenue. For 2006, global automotive structural costs were less than 30% of revenue, down from about 35% in 2005.

In November 2005, GM announced that it would cease operations at 12 manufacturing facilities by 2008, and reduce manufacturing employment levels by approximately 30,000 employees by the end of 2008. In fact, GM reached the reduced employment levels as of January 2, 2007. To support its structural cost initiatives, in March 2006 GM, the UAW, and Delphi entered into the UAW Attrition Agreement designed to reduce the number of hourly employees at GM and at Delphi through the UAW Attrition Program in which approximately 34,400 GM employees participated. Beginning in 2007, GMNA will benefit from the full year impact of the UAW Attrition Program since the remainder of the participants in the program either retired or otherwise left as of January 1, 2007. See "GM-UAW-Delphi Special Attrition Program Agreement" below for a further description of the UAW Attrition Agreement. GM believes these actions collectively will reduce our excess capacity by one million units, in addition to the one million unit capacity we eliminated between 2002 and 2005, and reduce structural costs to assist in closing the cost gap with other vehicle manufacturers. To achieve further cost reductions, GM's management is putting a high priority on negotiating a more competitive collective bargaining agreement with the UAW in 2007.

In the first quarter of 2006, GM announced plans to substantially alter pension benefits for current U.S. salaried employees by freezing accrued benefits in the current plan and implementing a new benefit structure for future accruals, which include a reduced defined benefit plan for some salaried employees and a new defined contribution plan for the other salaried employees. These pension plan changes will not affect retirees or surviving spouses who are currently drawing benefits from the Salaried Retirement Program.

Reducing material costs remains a critical part of GMNA's overall long-term cost reduction plans, although improved performance in purchasing has been offset by higher commodity prices for aluminum and copper and troubled supplier support. GM continues its aggressive pursuit of material cost reductions via improvements in its global processes for product development, which will enable further commonization and application of parts among vehicle architectures, as well as through the continued use of the most competitive supply sources globally and the extensive use of benchmarking and supplier footprint optimization. By leveraging its global reach to take advantage of economies of scale in purchasing, engineering, advertising, salaried employment levels, and indirect material costs, GM seeks to continue to achieve cost reductions. GM also anticipates that a resolution of the Delphi bankruptcy reorganization, discussed below, will include an opportunity for GM to mitigate the cost penalty it now pays Delphi for certain parts.

GM has seen significant improvements in both warranty and other quality related costs over the past several years, which has enabled the implementation of the extended powertrain warranty described above. In 2007, we will continue to focus on reducing these costs.

Address Health Care/Legacy Cost Burden – Addressing the legacy cost burden of health care for employees and retirees in the United States is one of the critical challenges facing GM.

In October 2005, we announced an agreement with the UAW that will reduce GM's hourly retiree health-care obligations. GM began recognizing the benefit from the UAW Health Care Settlement Agreement in the third quarter of 2006. The remeasurement of the U.S. hourly OPEB plans as of March 31, 2006 generated a $1.3 billion reduction in OPEB expense and an approximate $17 billion reduction in the OPEB obligation. This reduction in expense was partially offset by the recognition of expense associated with the approximate $3 billion related to capped benefits expected to be paid from GM contributions to the new UAW Mitigation Plan. Refer to Note 19 to the Consolidated Financial Statements for further discussion of the financial impacts of the UAW Settlement Agreement.

The UAW Health Care Settlement Agreement will remain in effect until at least September 2011, after which either GM or the UAW may cancel the agreement upon 90 days written notice. Similarly, GM's contractual obligations to provide health-care benefits to UAW hourly retirees extends to at least September 2011 and will continue thereafter until terminated by either GM or the UAW. As a result, the provisions of the UAW Health Care Settlement Agreement will continue in effect for the UAW retirees beyond the expiration of the current collective bargaining agreement between GM and the UAW in September 2007, regardless of what other changes to the contract GM and the UAW may negotiate.

In April 2006, GM and the IUE-CWA also reached a tentative agreement to reduce health-care costs that is similar to the UAW Health Care Settlement Agreement. The agreement was ratified by the IUE-CWA membership in April 2006 and received court approval in November 2006. Because the effect was not material and did not require remeasurement in 2006, the estimated $0.6 billion reduction in our OPEB obligation will be recognized in the January 1, 2007 measurement of U.S. OPEB plans and reflected as part of our OPEB expense for 2007.

GM is also increasing the U.S. salaried workforce's participation in the cost of health care. In February 2006, GM announced that beginning in January 2007, it would cap its contributions to salaried retiree health care at the level of its 2006 expenditures. This change affects employees and retirees who are eligible for the salaried postretirement health-care benefit and their spouses. Salaried employees who were hired after January 1, 1993 are not eligible for retiree health-care benefits, so they are not affected by these changes. After 2006, when average costs exceed established limits, GM will make additional plan changes that affect cost-sharing features of program coverage, effective with the start of the next calendar year. Program changes may include, but are not limited to, higher monthly contributions, deductibles, coinsurance, out-of-pocket maximums, and prescription drug payments. Plan changes may be implemented in medical, dental, vision, and prescription drug plans. The remeasurement of the U.S. salaried OPEB health care plan as of February 9, 2006 resulted in a $4.7 billion reduction in the OPEB obligation and $0.5 billion in OPEB expense commencing in the second quarter.

In October 2006, the GM board of directors approved a reduction in the levels of coverage for corporate-paid life insurance for salaried retirees. For eligible salaried employees who retire on or after May 1, 2007, coverage will reduce by 50% on the tenth anniversary of their retirement date, and salaried employees who retire before May 1, 2007 will have their coverage reduced by 50% on January 1, 2017. This change reduced GM's year-end OPEB obligation by approximately $0.5 billion.

In 2007, GM will benefit from the full year impact of the changes in health care discussed above. In addition, GM will continue to work with its employees, health-care providers, and the U.S. government to find solutions to the critical issues posed by the rising cost of health care.

LABOR NEGOTIATIONS

GM's current collective bargaining agreement with the UAW expires in September 2007. The negotiations present both risks and an opportunity to address cost competitiveness issues relative to competitors in the industry. GM recognizes the impact that any resulting labor stoppages could have on GM, its suppliers, and its dealers, and has begun contingency planning with these groups. If the collective bargaining agreement expires before a new agreement is reached, GM anticipates that it would attempt to persuade the UAW to support continuing its operations while negotiations continue. It is possible, however, that the expiration of the collective bargaining agreement could result in labor disruptions affecting some or all GM facilities in the United States, or the operations of some of its suppliers that employ workers represented by the UAW. A lengthy strike by the UAW that involves all or a significant portion of our manufacturing facilities in the United States would have a material adverse effect on our operations and financial condition, particularly our liquidity.

DELPHI BANKRUPTCY

General. In October 2005, Delphi filed a petition for Chapter 11 proceedings under the U.S. Bankruptcy Code for itself and many of its U.S. subsidiaries. Delphi is GM's largest supplier of automotive systems, components, and parts, and GM is Delphi's largest customer.

GM has worked and will continue to work constructively in the court proceedings with Delphi, Delphi's unions, and other participants in Delphi's Chapter 11 restructuring process. Delphi continues to assure GM that it expects no disruption in its ability to supply GM with the systems, components, and parts it needs as Delphi pursues a restructuring plan under the Chapter 11 process. Although the challenges faced by Delphi during its restructuring process could create operating and financial risks for GM, that process is also expected to present opportunities for GM. These opportunities include reducing, over the long term, the significant cost penalty GM incurs in obtaining parts from Delphi, as well as improving the quality of systems, components, and parts GM procures from Delphi. However, there can be no assurance that GM will be able to realize any benefits as a result of Delphi's restructuring process.

Framework Support Agreement. On December 18, 2006, to facilitate the consensual resolution of Delphi's bankruptcy, GM entered into a Plan Framework Support Agreement (Framework Agreement) with Delphi and a consortium of potential investors in Delphi (Plan Investors), which outlines certain material terms of a proposed restructuring plan for Delphi (Proposed Plan). The Proposed Plan is conditioned both on the implementation of an overall transformation strategy that would include the settlement of certain issues and disputes between GM and Delphi (Designated Issues) and on proposed equity investments by the Plan Investors in Delphi. The Designated Issues include (a) legacy obligations related to Delphi employees who formerly were GM hourly employees, including responsibility for various pension and other OPEB obligations, (b) costs associated with the transformation of Delphi's business, (c) Delphi's support for GM's efforts to resource certain products purchased by GM, (d) the restructuring of on-going contractual relationships between GM and Delphi, and (e) the amount and treatment of GM's claims against Delphi in the Chapter 11 proceedings. Under the Framework Agreement, GM has agreed to, among other things, negotiate these matters in good faith but is not obligated to enter into any agreements. If GM and Delphi reach any commercial, business, and labor-related agreements, those agreements will be evidenced in definitive documentation.

Under the Framework Agreement, the Proposed Plan would provide that GM's claims against Delphi (other than ordinary course of business and environmental claims, which would flow through the bankruptcy) would be satisfied by the payment of $2.63 billion in cash and seven million shares of common stock in Delphi as reorganized (out of a total of 135 million fully diluted shares).

GM expects that the obligations and costs that it would assume to resolve the Designated Issues together with its recoveries contemplated under the Proposed Plan would be consistent with the $6 billion to $7.5 billion estimated range of contingent exposures (as discussed below) associated with Delphi's Chapter 11 proceedings.

Pursuant to the Framework Agreement, Delphi intends to, among other things, negotiate and finalize the Proposed Plan and other related documents, seek Bankruptcy Court approval of the Proposed Plan and payment of related expenses, prepare and distribute a draft disclosure statement with respect to the Proposed Plan to the Plan Investors and GM, and seek Bankruptcy Court approval of such disclosure statement (the "Disclosure Statement Order"). Provided that GM and Delphi reach agreement on all the issues and documents affecting GM that are negotiated under the Proposed Plan, GM will support the Disclosure Statement Order and not object to confirmation of the Proposed Plan by the Bankruptcy Court. The Framework Agreement can be terminated by any party to the Agreement at any time after April 1, 2007 or upon termination of the investment agreement between Delphi and the Plan Investors, which can be terminated at any time.

In addition, the Framework Agreement provides that until April 1, 2007 GM and the Plan Investors will not pursue, negotiate, or facilitate any transaction inconsistent with the proposed investment of the Plan Investors in Delphi. This commitment could be extended beyond that date by the consent of GM and the Plan Investors, which may not be withheld unreasonably. If GM and Delphi reach a comprehensive resolution of the issues affecting them, which is the goal of current negotiations under the Framework Agreement, the matters described in the remainder of this section will be handled as the parties agree. Since negotiations are still underway, however, and there can be no assurance that GM and Delphi will succeed in agreeing upon a comprehensive resolution, the following matters continue to pose significant risks to GM.

Delphi Motions Seeking Authority to Reject Various Contracts. Delphi has consented, in consideration of the progress made toward a consensual resolution of the Chapter 11 process, to an indefinite adjournment of hearings on its motions filed in March 2006 under the U.S. Bankruptcy Code seeking authority to reject its U.S. labor agreements and modify retiree welfare benefits and to reject certain supply contracts with GM. If Delphi, its unions, the Plan Investors, and GM are unable to negotiate comprehensive agreements to resolve the issues involved in Delphi's bankruptcy, Delphi or one or more of its affiliates could be subject to labor disruptions or could reject or threaten to reject individual contracts with GM, either for the purpose of exiting specific lines of business or in an attempt to increase the price GM pays for certain parts and components. Any of these events could materially adversely affect GM by disrupting the supply of automotive systems, components, and parts, and could even force the suspension of production at GM assembly facilities.

While GM believes that it is likely that GM and Delphi will reach a consensual resolution pursuant to the Framework Agreement, we are seeking to minimize our risks by protecting our right of setoff against the $1.15 billion we owed to Delphi as of the date of its Chapter 11 filing. However, the extent to which these obligations are covered by our right to setoff may be subject to dispute by Delphi, the creditors' committee, or Delphi's other creditors, and limitation by the court. GM cannot provide any assurance that it will be able to setoff such amounts fully or partially. To date, GM has taken setoffs of approximately $53.6 million, with Delphi's agreement.

Benefit Guarantee Agreements. As described above, the Designated Issues between Delphi and GM include legacy obligations and responsibility for various pension and other OPEB obligations related to certain U.S. hourly employees who formerly were GM employees and became Delphi employees in GM's spin-off of Delphi in 1999 (Transferred Employees). In connection with that spin-off, GM entered into separate agreements with the UAW, the IUE-CWA, and the United Steel Workers (Benefit Guarantee Agreements), providing contingent benefit guarantees to make payments for limited pension and OPEB to certain Transferred Employees who meet the applicable eligibility requirements for such payments (Covered Employees).

Each Benefit Guarantee Agreement contains separate benefit guarantees relating to pension and OPEB obligations, with different triggering events under which GM could be liable if Delphi fails to provide the corresponding benefit at the required level. Therefore, GM could incur liability under one of the guarantees (e.g., OPEB) without triggering the other guarantees (e.g., pension). In addition, with respect to pension benefits, GM's guarantee of pension benefits arises only to the extent that pension benefits provided both by Delphi (or an applicable successor) and by the Pension Benefit Guaranty Corporation fall short of the guaranteed amounts.

GM's obligations under the Benefit Guarantee Agreements have not been triggered by Delphi's Chapter 11 filing, Delphi's motions in Bankruptcy Court to reject its U.S. labor agreements and modify retiree welfare benefits, or any other actions to date. The benefit guarantees will expire on October 18, 2007 unless they are triggered before that date.

The Benefit Guarantee Agreements do not obligate GM to guarantee any benefits for Delphi retirees in excess of the corresponding benefits GM provides at the time to its own hourly retirees. Accordingly, any reduction of the benefits GM provides to its hourly retirees would reduce GM's obligations under the corresponding benefit guarantee.

A separate agreement between GM and Delphi, which also expires on October 18, 2007, requires Delphi to indemnify GM for any payments under the benefit guarantees to the UAW employees or retirees. Any recovery by GM under indemnity claims against Delphi might be subject to partial or complete discharge in the Delphi reorganization proceeding. As a result, GM's claims for indemnity may not be paid fully or partially.

As part of GM's discussions in 2005 with the UAW that led to a settlement with the UAW changing health-care benefits for hourly retirees, GM provided the Covered Employees represented by the UAW the potential to earn up to seven years of credited service for purposes of eligibility for certain health-care benefits under the GM/UAW benefit guarantee agreement.

UAW Attrition Agreement. In the first half of 2006, GM, Delphi, and the UAW implemented the UAW Attrition Agreement, which provided a combination of early retirement programs and other incentives to reduce hourly employment levels at both GM and Delphi. As of December 31, 2006, approximately 12,400 UAW-represented Delphi employees elected one of the retirement options available under the UAW Attrition Program.

Under the UAW Attrition Agreement, GM agreed to assume certain costs regarding UAW-represented Delphi employees. Specifically, GM agreed to: (1) pay lump sums of $35,000 to certain employees who participate in the UAW Attrition Program; (2) assume all OPEB obligations to Transferred Employees who agree to retire under the UAW Attrition Program via a return to GM; (3) subsidize health-care costs for Delphi employees participating in a special voluntary pre-retirement program for an interim period, if Delphi reduces or eliminates its health care and/or life insurance coverage provided to active UAW employees; and (4) accept back 5,000 active Transferred Employees.

GM will have a pre-petition, general unsecured claim assertable against Delphi in the amount of approximately $2.9 billion, related to certain of GM's costs under the UAW Attrition Agreement, subject to objections on any grounds other than that the claim did not arise under the terms of certain pre-existing contractual agreements between GM and Delphi.

Additional Attrition Programs. As of December 31, 2006 approximately 6,200 Transferred Employees represented by the IUE-CWA and approximately 1,400 Transferred Employees represented by the UAW elected to participate in additional attrition and buyout programs offered in the second half of 2006, which were similar to the program under the UAW Attrition Agreement described above. GM will have a pre-petition, general unsecured claim assertable against Delphi in the amount of approximately $0.6 billion, related to certain of GM's costs under the IUE-CWA attrition program, subject to objections on any grounds other than that the claim did not arise under the terms of a certain preexisting contractual agreement between GM and Delphi. GM will also have an allowed pre-petition general unsecured claim against Delphi in the amount of approximately $0.3 billion for GM's portion of buyout payments made under these additional IUE-CWA and UAW programs.

GM Claims Against Delphi. In July 2006, GM filed a Consolidated Proof of Claim, in accordance with the Bankruptcy Court's procedures order, setting forth GM claims (including the claims of various GM subsidiaries) against Delphi and the other debtor entities. The exact amount of GM's claims cannot be established because of the contingent nature of many of the claims involved and the fact that the validity and amount of the claims may be subject to objections from Delphi and other stakeholders, but, based on currently available data, the amount of GM's claims could be as much as $13 billion. Although the Proof of Claim preserves GM's right to pursue recovery of its claims from Delphi, these claims may be subject to compromise in the bankruptcy process or as part of a negotiated settlement, and GM may receive only a portion, if any, of these claims.

GM Contingent Liability. Depending on the outcome of the current negotiations and other factors, GM believes that it is probable that it has incurred a contingent liability due to Delphi's Chapter 11 filing. Based on currently available data and ongoing discussions with Delphi and other stakeholders, GM believes that the range of the contingent exposures is between $6 billion and $7.5 billion, with amounts near the low end of the range considered more possible than amounts near the high end of the range. Initially, GM established a liability of $5.5 billion ($3.6 billion after tax) for this contingent exposure in the fourth quarter of 2005, and recorded an additional charge of $0.5 billion ($0.3 billion after tax) in the third quarter of 2006 to reflect GM's potential exposure for OPEB costs associated with previously divested Delphi business units and certain labor restructuring costs, including but not limited to expenditures related to the attrition plans discussed above. At December 31, 2006 and 2005, GM's contingent liability related to the Delphi matters was $1.5 billion and $5.5 billion, respectively. During 2006, amounts previously recorded under the benefit guarantee were reclassified to GM's OPEB liability as GM has assumed the OPEB obligation for approximately 17,800 Delphi employees who have returned back to GM to continue working or retire from GM. These views reflect GM's current assessment that it is unlikely that a Chapter 11 process will result in both a termination of Delphi's pension plan and complete elimination of its OPEB plans. In addition to theses charges, GM may agree to reimburse Delphi for certain labor expenses to be incurred upon and after Delphi's emergence from bankruptcy. GM's current estimate of these expenses involves an initial payment in 2007, not expected to exceed approximately $400 million, and ongoing expenses of limited duration and estimated to average less than $100 million annually. GM will recognize these expenses as incurred in the future. GM expects these payments to be far exceeded by anticipated reductions in the price of systems, components, and parts it purchases from Delphi. Because negotiations are ongoing, the actual impact of the resolution of issues related to Delphi cannot be determined until the Bankruptcy Court's approval of a comprehensive resolution, and there can be no assurance that the parties will reach a comprehensive resolution or that the Bankruptcy Court will approve such a resolution, or that any resolution will include the terms described above.

If GM is required to make OPEB payments to current Delphi retirees under the Benefit Guarantee Agreements, GM would expect to make such payments from ongoing operating cash flow and financings. Such payments, if any, are not expected to have a material effect on GM's cash flows in the short term.

Key Factors Affecting Future and Current Results *(continued)*

However, if required, these payments would be likely to increase over time and could have a material effect on GM's liquidity in coming years. (For reference, Delphi's 2006 Annual Report on Form 10-K reported that in 2006 it paid benefits of $229 million to hourly and salaried retirees; salaried retirees are not covered under the Benefit Guarantee Agreements).

GMAC – SALE OF 51% CONTROLLING INTEREST

On November 30, 2006, GM completed the GMAC Transaction, which was the sale of a 51% controlling interest in GMAC for a purchase price of $7.4 billion to FIM Holdings. FIM Holdings is a consortium of investors including Cerberus FIM Investors LLC, Citigroup Inc., Aozora Bank Limited, and a subsidiary of The PNC Financial Services Group, Inc. GM has retained a 49% interest in GMAC's Common Membership Interests. In addition, FIM Holdings purchased 555,000 of GMAC's Preferred Membership Interests for a cash purchase price of $500 million and GM purchased 1,555,000 Preferred Membership Interests for a cash purchase price of $1.4 billion.

The total value of the cash proceeds and distributions to GM after payment of certain intercompany obligations, and before it purchased the preferred membership interests of GMAC was expected to be approximately $14 billion over three years, comprised of the $7.4 billion purchase price and $2.7 billion cash dividend at closing, and other transaction related cash flows including the monetization of certain retained assets. Subsequent to December 31, 2006, it was determined that GM would be required to make a capital contribution to GMAC of approximately $1.0 billion to restore its adjusted tangible equity balance to the contractually required amount of $14.4 billion, due to the decrease in the adjusted tangible equity balance of GMAC as of November 30, 2006.

GMAC is required to make certain quarterly distributions to holders of the Preferred Membership Interests in cash on a pro rata basis. The Preferred Membership Interests are issued in units of $1,000 and accrue a yield at a rate of 10% per annum. GMAC's Board of Managers (GMAC Board) may reduce any distribution to the extent required to avoid a reduction of the equity capital of GMAC below a minimum amount of equity capital equal to the net book value of GMAC at November 30, 2006. In addition, the GMAC Board may suspend the payment of Preferred Membership Interest distributions with the consent of the holders of a majority of the Preferred Membership Interest. If distributions are not made with respect to any fiscal quarter, the distributions would not be cumulative. If the accrued yield of GMAC's Preferred Membership Interests for any fiscal quarter is fully paid to the preferred holders, then a portion of the excess of the net financial book income of GMAC in any fiscal quarter over the amount of yield distributed to the holders of the Preferred Membership Interests in such quarter will be distributed to the holders of the Common Membership Interests as follows: at least 40% of the excess will be paid for fiscal quarters ending prior to December 31, 2008 and at least 70% of the excess will be paid for fiscal quarters ending after December 31, 2008.

Prior to consummation of the GMAC Transaction, (i) certain assets with respect to automotive leases owned by GMAC and its affiliates having a net book value of approximately $4 billion and related deferred tax liabilities of $1.8 billion were transferred to GM, (ii) GM assumed or retained certain of GMAC's OPEB obligations of $842 million, and related deferred tax assets of $302 million. (iii) GMAC transferred entities that hold certain real properties to GM, (iv) GMAC paid cash dividends to GM based on GMAC's anticipated net income for the period September 30, 2005 to November 30, 2006 totaling $1.9 billion, (v) GM repaid certain indebtedness and specified intercompany unsecured obligations owing to GMAC, and (vi) GMAC made a one-time distribution to GM of $2.7 billion of cash to reflect the increase in GMAC's equity resulting from the transfer of a portion of GMAC's net deferred tax liabilities arising from the conversion of GMAC and certain of its subsidiaries to LLCs.

As part of the agreement, GM retained an option, for 10 years after the closing date, to repurchase from GMAC certain assets related to the automotive finance business of the North American Operations and International Operations of GMAC. GM's exercise of the option is conditional on GM's credit rating being investment grade or higher than GMAC's credit rating. The call option price is calculated as the higher of (i) fair market value or (ii) 9.5 times the consolidated net income of GMAC's automotive finance business in either the calendar year the call option is exercised or the calendar year immediately following the year the call option is exercised.

The GMAC Transaction, an important element in GM's turnaround efforts, provided the following:

- Strong long-term services agreement between GM and GMAC – As part of the transaction, GM and GMAC entered into a number of agreements that were intended to continue the mutually-beneficial global relationship between GM and GMAC. These agreements, in substance, were consistent with the existing and historical practices between GM and GMAC, including requiring GMAC to continue to allocate capital to automotive financing, thereby continuing to provide critical financing support to a significant share of GM's global sales. While GMAC retains the right to make individual credit decisions, GMAC has committed to fund a broad spectrum of customers and dealers consistent with historical practice in the relevant jurisdictions. Subject to GMAC's fulfillment of certain conditions, GM has granted GMAC exclusivity for GM products in specified markets around the world for U.S., Canadian, and international GM-sponsored retail, lease and dealer marketing incentives, with the exception of Saturn branded products.
- Improved Liquidity – GM received significant cash proceeds at the closing to bolster GM's liquidity, strengthening GM's balance sheet and funding the turnaround plan.
- Enhanced stockholder value through a stronger GMAC – GM retained a 49% Common Membership Interest in GMAC, and will be able to continue to participate in GMAC's strong profitability levels.
- Delinkage of GMAC's credit rating from GM – In pursuing the sale of a majority interest in GMAC, GM expected that the introduction of a new controlling investor for GMAC, new capital at GMAC, and significantly reduced intercompany exposures to GM would provide GMAC with a solid foundation to improve its current credit rating, and de-link the GMAC credit ratings from GM. Following the sale, in December 2006 Fitch Ratings (Fitch) and Standard & Poor's (S&P) both raised GMAC's credit rating one notch, although it remains below investment grade.

INVESTIGATIONS

As previously reported, GM is cooperating with federal governmental agencies in connection with a number of investigations.

The SEC has issued subpoenas to GM in connection with various matters including GM's financial reporting concerning pension and OPEB, certain transactions between GM and Delphi, supplier price reductions or credits, and any obligation GM may have to fund pension and OPEB costs in connection with Delphi's proceedings under Chapter 11 of the Bankruptcy Code. In addition, the SEC has issued a subpoena in connection with an investigation of our transactions in precious metal raw materials used in our automotive manufacturing operation, and a federal grand jury issued a subpoena in connection with supplier credits.

GM has produced documents and provided testimony in response to the SEC and federal grand jury subpoenas. GM will continue to cooperate with the SEC and federal grand jury with respect to these matters.

In addition, SEC and federal grand jury subpoenas have been served on GMAC entities in connection with industry-wide investigations into practices in the insurance industry relating to loss mitigation insurance products such as finite risk insurance. Following the GMAC Transaction, GMAC retained responsibility for this matter.

Liquidity and Capital Resources

Investors or potential investors in GM securities consider cash flows of the Automotive and FIO businesses to be a relevant measure in the analysis of GM's various securities that trade in public markets. Accordingly, GM provides supplemental statements of cash flows to aid users of GM's consolidated financial statements in the analysis of performance and liquidity and capital resources.

This information reconciles to the Consolidated Statements of Cash Flows after the elimination of "Net investing activity with Financing and Insurance Operations" and "Net financing activity with Automotive and Other Operations" line items shown in the table below. Following are such statements for the years ended December 31, 2006, 2005, and 2004:

(Dollars in millions)	Automotive and Other			Financing and Insurance		
	Years Ended December 31,					
	2006	2005	2004	**2006**	2005	2004
		(As restated)	(As restated)		(As restated)	(As restated)
Cash flows from operating activities						
Net income (loss)	**$ (3,007)**	$(12,674)	$ (175)	**$ 1,029**	$ 2,257	$ 2,876
Cumulative effect of a change in accounting principle	**–**	109	–	**–**	–	–
Adjustments to reconcile net income (loss) before cumulative effect of a change in accounting principle to net cash provided by operating activities:						
Depreciation, impairments and amortization expense	**8,159**	10,101	8,679	**2,791**	5,696	5,523
Mortgage servicing rights and premium amortization	**–**	–	–	**1,021**	1,142	1,675
Goodwill impairment – GMAC	**–**	–	–	**828**	712	–
Delphi Benefit Guarantee	**500**	5,500	–	**–**	–	–
Loss on sale of 51% interest in GMAC	**–**	–	–	**2,910**	–	–
Provision for credit losses	**–**	–	–	**1,799**	1,074	1,944
Net gains on sale of finance receivables	**–**	–	–	**(1,256)**	(1,741)	(1,332)
Net gains on investment securities	**–**	–	–	**(1,006)**	(104)	(52)
Postretirement benefits other than pensions, net of payments and VEBA contributions/withdrawals	**2,840**	4,717	(8,048)	**1**	38	14
Pension expense, net of contributions	**3,611**	1,408	1,174	**23**	14	34
Net change in mortgage loans	**–**	–	–	**(21,578)**	(29,119)	(2,312)
Net change in mortgage securities	**–**	–	–	**427**	(1,155)	614
Change in other investments and miscellaneous assets	**588**	141	(1)	**(1,058)**	(826)	105
Change in other operating assets and liabilities, net of acquisitions and disposals	**(8,499)**	(10,986)	(316)	**(4,109)**	4,188	(1,438)
Other	**1,365**	1,720	(95)	**862**	932	487
Net cash provided by (used in) operating activities	**$ 5,557**	$ 36	$ 1,218	**$(17,316)**	$(16,892)	$ 8,138
Cash flows from investing activities						
Expenditures for property	**$ (7,531)**	$ (7,896)	$ (7,284)	**$ (402)**	$ (283)	$ (469)
Investments in marketable securities, acquisitions	**(149)**	(2,616)	(2,209)	**(25,381)**	(19,184)	(13,069)
Investments in marketable securities, liquidations	**1,727**	7,663	4,609	**26,822**	14,874	11,302
Net change in mortgage servicing rights	**–**	–	–	**(61)**	(267)	(326)
Increase in finance receivables	**–**	–	–	**(1,160)**	(6,582)	(38,673)
Proceeds from sale of finance receivables	**–**	–	–	**18,374**	31,652	23,385
Proceeds from the sale of 51% interest in GMAC LLC	**7,353**	–	–	**–**	–	–
Proceeds from sale of business units/equity investments	**1,968**	846	–	**8,538**	–	–
Operating leases, acquisitions	**–**	–	–	**(17,070)**	(15,496)	(14,324)
Operating leases, liquidations	**–**	–	–	**7,039**	5,362	7,696
Net investing activity with Financing and Insurance Operations	**3,354**	2,500	1,500	**–**	–	–
Investments in companies, net of cash acquired	**(20)**	1,357	(48)	**(337)**	(2)	(12)
Other	**(353)**	640	882	**338**	(1,503)	477
Net cash provided by (used in) investing activities	**6,349**	2,494	(2,550)	**16,700**	8,571	(24,013)
Cash flows from financing activities						
Net increase (decrease) in loans payable	**(256)**	(177)	(803)	**7,289**	(9,949)	2,995
Long-term debt, borrowings	**1,937**	386	758	**77,629**	77,890	72,753
Long-term debt, repayments	**(97)**	(46)	(79)	**(92,193)**	(69,520)	(57,743)
Net financing activity with Automotive and Other Operations	**–**	–	–	**(3,354)**	(2,500)	(1,500)
Cash dividends paid to stockholders	**(563)**	(1,134)	(1,129)	**–**	–	–
Other	**–**	–	–	**2,487**	6,030	4,723
Net cash (used in) provided by financing activities	**1,021**	(971)	(1,253)	**(8,142)**	1,951	21,228
Effect of exchange rate changes on cash and cash equivalents	**189**	(40)	375	**176**	(45)	296
Net transactions with Automotive Other/Financing Insurance	**(4,529)**	520	934	**4,529**	(520)	(934)
Net increase (decrease) in cash and cash equivalents	**8,587**	2,039	(1,276)	**(4,053)**	(6,935)	4,715
Cash and cash equivalents retained by GMAC LLC upon disposal	**–**	–	–	**(11,137)**	–	–
Cash and cash equivalents reclassified to Assets Held for Sale	**–**	–	–	**–**	(371)	–
Cash and cash equivalents at beginning of the year	**15,187**	13,148	14,424	**15,539**	22,845	18,130
Cash and cash equivalents at end of the year	**$23,774**	$ 15,187	$13,148	**$ 349**	$ 15,539	$ 22,845

Liquidity and Capital Resources *(continued)*

AUTO

AVAILABLE LIQUIDITY

GM believes it has sufficient liquidity and financial flexibility to meet its capital requirements over the short and medium term under reasonably foreseeable circumstances. Over the long term, GM believes that its ability to meet its capital requirements will primarily depend on the successful execution of its turnaround plan and the return of its North American operations to profitability and positive cash flow. Auto available liquidity includes its cash balances, marketable securities and readily available assets of its VEBA trusts. At December 31, 2006, Auto's available liquidity was $26.4 billion compared with $20.4 billion at December 31, 2005 and $23.3 billion at December 31, 2004. The amount of GM's consolidated cash and marketable securities is subject to intra-month and seasonal fluctuations and includes balances held by various GM business units and subsidiaries worldwide that are needed to fund their operations.

	Years Ended December 31,		
(Dollars in billions)	**2006**	2005	2004
Cash and cash equivalents	**$23.8**	$15.2	$13.1
Marketable securities	**0.1**	1.4	6.7
Readily-available assets of VEBA trusts	**2.5**	3.8	3.5
Available Liquidity	**$26.4**	$20.4	$23.3

In addition to the $2.5 billion of readily-available VEBA trust assets included in available liquidity, GM expects to have access to additional VEBA trust assets over time to reimburse OPEB plan costs. These additional VEBA trust assets totaled approximately $15.3 billion at December 31, 2006, making the total VEBA trust assets available to GM $17.8 billion at December 31, 2006. At December 31, 2005, the total VEBA trust assets were $19.1 billion, $3.8 billion of which was readily available. At December 31, 2004, the total VEBA trust assets were $20 billion, $3.5 billion of which was readily available. The decline in VEBA balances since December 31, 2005 was primarily driven by $4.1 billion of withdrawals during 2006, partially offset by favorable asset returns during the year.

On November 30, 2006, GM consummated the GMAC Transaction, in which it sold a controlling interest in GMAC to FIM Holdings. The total value of the cash proceeds and distributions to GM after repayment of certain intercompany obligations and before it purchased preferred membership interests of GMAC was expected to be approximately $14 billion over three years, comprised of the $7.4 billion purchase price and the $2.7 billion cash dividend at closing and other transaction related cash flows including monetization of certain retained assets over three years. From the proceeds, GM invested $1.4 billion of cash in new preferred membership interests of GMAC. Subsequent to December 31, 2006, it was determined that GM would be required to make a capital contribution to GMAC of approximately $1 billion to restore its adjusted tangible equity balance to the contractually required amount of $14.4 billion, due to the decrease in the adjusted tangible equity balance of GMAC as of November 30, 2006.

GM also has a $4.6 billion standby revolving credit facility with a syndicate of banks, of which $150 million terminates in June 2008 and $4.5 billion terminates July 2011. There are approximately $69 million of letters of credit issued under the credit facility, but no loans are currently outstanding. GM believes that the banks will continue to lend under the facility, notwithstanding the restatement of certain historical financial statements described in this Annual Report on Form 10-K. Under the $4.5 billion secured facility, borrowings are limited to an amount based on the value of the underlying collateral, which consists of certain North American accounts receivable and inventory of GM, Saturn Corporation, and GM Canada, certain plants, property and equipment of GM Canada, and a pledge of 65% of the stock of the holding company for GM's indirect subsidiary GM de Mexico. In addition to the $4.5 billion secured line of credit, the collateral also secures certain lines of credit, automatic clearinghouse and overdraft arrangements, and letters of credit provided by the same secured lenders, totaling approximately $1.5 billion. In the event of certain work stoppages, the secured facility would be temporarily reduced to $3.5 billion.

GM believes that it is possible that issues may arise from its most recent restatement of its prior financial statements under various other financing arrangements. These financing arrangements consist principally of obligations in connection with sale/leaseback transactions and other lease obligations (including off-balance sheet arrangements) and do not include GM's public debt indentures. In view of the recent restatement of its prior financial statements, GM has evaluated the effect of its restatement under these agreements, including its legal rights (such as its ability to cure) with respect to any claims that could be asserted. Based on its review, GM believes that amounts subject to possible claims of acceleration, termination or other remedies are not likely to exceed $2.7 billion (consisting primarily of off-balance sheet arrangements), although no assurances can be given as to the likelihood, nature, or amount of any claims that may be asserted. Moreover, GM believes there may be economic or other disincentives for third parties to raise such claims to the extent they have them. Based on this review, GM reclassified approximately $257 million of these obligations from long-term debt to short-term debt. GM believes that it has sufficient liquidity over the short and medium term, regardless of the resolution of these matters.

GM also has an additional $1.2 billion in undrawn committed facilities (including certain off-balance sheet securitization programs) with various maturities and $0.8 billion in undrawn uncommitted lines of credit. In addition, GM's consolidated affiliates with non-GM minority shareholders, primarily GM Daewoo, have a combined $1.6 billion in undrawn committed facilities.

Other potential measures to strengthen available liquidity could include the sale of non-core assets, additional public or private financing transactions, and recoveries under the Framework Agreement entered into with Delphi and the Plan Investors. In January 2007, GM announced that it was looking at strategic options for its Allison Transmission commercial and military operations, including a potential sale of the business. Additionally, GM currently believes it has access to bank financing and limited access to the public markets through debt or equity or some combination thereof. Access to these markets is dependent on market conditions and our own financial condition. In connection with Delphi, the recoveries to GM under the arrangement contemplated by the Framework Agreement are expected to include an estimated $2.6 billion in cash for GM's claims under the Delphi bankruptcy and up to $2.0 billion in cash and/or notes receivable in connection with the transfer of a portion of Delphi's U.S. hourly pension plan obligations to GM. GM anticipates that such additional liquidity could be used in funding the turnaround plan and addressing the potential risks and contingencies described above in "Risk Factors – Risks Related to GM and its Automotive Business."

Cash Flow – The increase in available liquidity to $26.4 billion at December 31, 2006 from $20.4 billion at December 31, 2005 was primarily a result of the GMAC Transaction, cash dividends received from GMAC, net cash received from GM's partial sale of its interest in Suzuki common stock, increase in long-term borrowings, and withdrawals from GM's VEBA trusts. This increase was partially offset by Auto's loss before cumulative effect of a change in accounting principle, significant capital expenditures required to support the business, and cash payments for retiree healthcare and life insurance benefits.

Investments in marketable securities primarily consist of purchases, sales, and maturities of highly-liquid corporate, U.S. government, U.S. government agency, and mortgage-backed debt securities used for cash management purposes. During 2006, GM acquired approximately $0.2 billion of marketable securities while sales and maturities of marketable securities were approximately $1.7 billion.

For the year ended December 31, 2006, Auto had positive operating cash flow of $5.6 billion on a net loss of $3.0 billion. That result compares with the positive operating cash flow of $36 million and a net loss of $12.7 billion in 2005. Apart from the improvements in GM's net loss position, 2006 operating cash flow included withdrawals of $4.1 billion from GM's VEBA trust for

Liquidity and Capital Resources *(continued)*

its OPEB plans for reimbursement of retiree health-care and life insurance benefits provided to eligible plan participants. Operating cash flow was unfavorably impacted by approximately $0.4 billion of cash costs related to the GMNA restructuring initiative, $0.1 billion of cash costs related to the GME restructuring initiative, and $0.4 billion of cash costs related to the Delphi special attrition programs, for which the charges were recorded in 2003 to 2005.

The 2006 charge of $6.4 billion related to the UAW Attrition Agreement includes $2.1 billion for cash payments to employees, of which $1.4 billion was paid in 2006, and the balance of $0.7 billion is expected to be paid over the next three years. These payments were and will be funded using cash flow from operations. The remaining $4.3 billion of the charge reflects non-cash curtailment charges associated with GM's pension, OPEB, and extended disability plans U.S. Hourly employees and consequently had no immediate cash flow impact.

Capital expenditures were a significant use of investing cash in 2006. Capital expenditures were $7.5 billion, primarily attributable to ongoing investment in GMNA required to support new product launches. For the years ended December 31, 2005 and 2004, capital expenditures were $7.9 billion and $7.3 billion, respectively. Favorable investing cash flows included $4.8 billion of dividends from GMAC, up from $2.5 billion in 2005 and $1.5 billion in 2004. The increase in dividends from GMAC in 2006 was largely attributable to the GMAC Transaction. Other favorable investing cash flows included $9.3 billion of proceeds from the sale of business units and equity investments, comprising GM's sale of its controlling interest in GMAC for approximately $7.4 billion in cash in November 2006 and GM's sale of its interest in Suzuki common stock for approximately $2.0 billion in March 2006. GM anticipates total annual capital spending to be between $8.5 billion and $9 billion in 2007 and 2008, of which approximately $5.7 billion in 2007 and approximately $5.5 billion to $5.7 billion in 2008 will be devoted to GMNA.

Debt – Auto's total debt, including capital leases, industrial revenue bond obligations, and borrowings from GMAC at December 31, 2006 was $38.7 billion, of which $5.7 billion was classified as short-term or current portion of long-term debt and $33.0 billion was classified as non-current long-term. At December 31, 2005, total debt was $34.2 billion, of which $1.6 billion was short-term or current portion of long-term debt and $32.6 billion was non-current long-term. This increase in total debt was primarily a result of the issuance of a $1.5 billion term loan on November 29, 2006 and the classification of $2.9 billion of liabilities due to GMAC as debt as of December 31, 2006 instead of an amount due to GMAC prior to the GMAC Transaction.

Short-term borrowing and current portion of long-term debt of $5.7 billion includes approximately $1.2 billion related to convertible debentures that were puttable to GM and of which $1.1 billion was settled for cash on March 6, 2007, approximately $1.0 billion of debt issued by GM's subsidiaries and consolidated affiliates, and $2.8 billion of related party debt, mainly dealer financing from GMAC. The reclassification of GMAC financing was the primary driver of the increase in short-term debt year over year. GM funded the settlement of the convertible debentures using cash flow from operations and available liquidity. GM has various debt maturities of approximately $2.8 billion in 2008 and $0.7 billion in 2009. GM believes it has adequate liquidity to settle those obligations as they become due.

In order to provide financial flexibility to GM and its suppliers, GM maintains a trade payables program through GMAC Commercial Finance (GMACCF). Under the terms of the GMAC Transaction, GM will be permitted to continue administering the program through GMACCF so long as GM provides the funding of advance payments to suppliers under the program. As of May 1, 2006, GM commenced funding of the advance payments, and as a result, at December 31, 2006, there was no outstanding balance owed by GM to GMACCF under the program.

Net Liquidity – Net liquidity, calculated as cash, marketable securities, and $2.5 billion ($3.8 billion at December 31, 2005) of readily-available assets of the VEBA trust less the short-term borrowings and long-term debt, was a negative $12.3 billion at December 31, 2006, compared with a negative $13.8 billion at December 31, 2005.

FINANCING AND INSURANCE OPERATIONS

As described above under "GMAC – Sale of 51% Controlling Interest," prior to consummation of the GMAC Transaction, GMAC dividended to GM lease-related assets having a net equity value of approximately $4 billion and related deferred tax liabilities of $1.8 billion. This dividend resulted in the transfer to GM of two bankruptcy-remote subsidiaries that hold the equity interests in ten trusts that own leased vehicles and issued asset-backed securities secured by the vehicles. GMAC originated those securitizations and remains as the servicer of the securitizations. GM consolidates the bankruptcy-remote subsidiaries and the ten trusts for financial reporting purposes. As a result, at December 31, 2006, GM had vehicles subject to operating leases of $11.8 billion, other net assets of $1.5 billion, outstanding secured debt of $9.4 billion, and net equity of $3.9 billion associated with these bankruptcy-remote subsidiaries. The secured debt has recourse solely to the leased vehicles and related assets. GM continues to be obligated to the bankruptcy-remote subsidiaries for residual support payments on the leased vehicles in an amount estimated to equal approximately $1.6 billion at December 31, 2006. However, neither the securitization investors nor the trusts have any rights to the residual support payments. GM expects the operating leases and related securitization debt to gradually amortize over the next three to four years resulting in the release to these two bankruptcy-remote subsidiaries of certain cash flows related to their ownership of the securitization trusts and related operating leases. The cash flow that GM expects to realize from the leased vehicle securitizations over the next three to four years will come from three principal sources. The first is cash released from the securitizations on a monthly basis, as a result of available funds exceeding debt service and other required payments in that month. The second is cash received upon and following termination of a securitization, to the extent of remaining overcollateralization. The third is a return of the residual support payments owing from GM each month. Since being transferred from GMAC to GM and through December 31, 2006, the total cash flows released to these two bankruptcy-remote subsidiaries was approximately $118 million.

STATUS OF DEBT RATINGS

Dominion Bond Rating Services (DBRS), Moody's Investor Service (Moody's), Fitch, and S&P currently rate GM's credit at non-investment grade. The following table summarizes GM's credit ratings as of March 12, 2007:

Rating Agency	Senior Unsecured Debt	Outlook	Commercial Paper
DBRS	B	Negative	R-5
Fitch	B	Rating Watch Negative	Withdrawn
Moody's	Caa1	Negative	Not Prime
S&P	B-	Negative	B-3

During 2006, each of DBRS, Fitch, Moody's and S&P downgraded GM's unsecured debt.

On July 24, 2006 DBRS downgraded GM's senior unsecured rating to B from B (high) and commercial paper rating to R-3 (low) from R-3 (middle) following the completion of the aforementioned secured credit transaction. The trend remained negative. On September 15, 2006, DBRS revised its short-term credit rating on GM to R-5 Negative from R-3 (low) Negative as a result of its new ratings methodology. On November 30, 2006 DBRS affirmed GM's senior unsecured rating at B (negative trend) and commercial paper rating at R-5 (negative trend).

Liquidity and Capital Resources *(continued)*

On March 1, 2006, Fitch downgraded GM's senior unsecured rating from B+ to B. On June 20, 2006, Fitch assigned a BB rating with negative rating watch to GM's secured credit facility. GM's issuer rating remained unchanged at B, on Rating Watch Negative. On November 13, 2006, Fitch assigned a BB rating with negative rating watch to GM's secured term loan.

On February 21, 2006, Moody's downgraded GM's senior unsecured debt to B2 with a negative outlook from B1 under review for a possible downgrade. On March 16, 2006, Moody's placed the senior unsecured ratings of GM under review for a possible downgrade. On March 29, 2006 Moody's downgraded GM's senior unsecured debt to B3 with a negative outlook. On May 5, 2006, Moody's placed GM's senior unsecured debt rating under review for a possible downgrade. GM's corporate rating was unaffected. On June 20, 2006, Moody's assigned a B2 rating to GM's secured credit facility, affirmed the company's B3 corporate rating and lowered its unsecured credit rating to Caa1. The rating outlook is negative. On September 22, 2006, Moody's revised the debt rating of the secured credit facility as a result of new Loss-Given-Default methodology to Ba3 from B2. Issuer credit rating and long-term unsecured debt rating of GM were unaffected. On November 13, 2006, Moody's assigned a Ba3 rating to GM's new senior secured term loan.

On March 29, 2006, S&P placed both GM's long-term B and short-term B-3 corporate credit ratings on CreditWatch with negative implications. On June 20, 2006, S&P assigned a B+ credit rating on the proposed GM senior bank loan facility with a recovery rating of "1" signifying that lenders can expect full recovery of principal in the event of a payment default. At the same time, S&P affirmed the company's B corporate credit rating and lowered the senior unsecured debt rating on GM to B- as a result of the secured bank transaction and the rating remained on CreditWatch with negative implications. On November 14, 2006, S&P assigned a B+ credit rating on the proposed GM senior term loan facility with a recovery rating of "1" signifying that lenders can expect full recovery of principal in the event of a payment default. On December 13, 2006 S&P affirmed its B corporate credit rating with negative outlook on GM and removed the credit rating from CreditWatch.

While the ratings actions described above have increased borrowing costs and limited access to unsecured debt markets, these outcomes have been mitigated by actions taken by GM over the past few years to focus on increased use of liquidity sources other than institutional unsecured markets, which are not directly affected by ratings on unsecured debt, including secured funding sources and conduit facilities. Further reductions of GM's credit ratings could increase the possibility of additional terms and conditions contained in any new or replacement financing arrangements. As a result of specific funding actions taken over the past few years, management believes that GM will continue to have access to sufficient capital to meet its ongoing funding needs over the short and medium-term. Notwithstanding the foregoing, management believes that the current ratings situation and outlook increase the level of risk for achieving GM's funding strategy. In addition, the ratings situation and outlook increase the importance of successfully executing GM's plans for improvement of operating results.

PENSION AND OTHER POSTRETIREMENT BENEFITS

Plans covering represented employees generally provide benefits of negotiated, stated amounts for each year of service as well as significant supplemental benefits for employees who retire with 30 years of service before normal retirement age.

GM's policy with respect to its qualified pension plans is to contribute annually not less than the minimum required by applicable law and regulation, or to directly pay benefit payments where appropriate. As of December 31, 2006, all legal funding requirements had been met. GM made contributions to its pension plans as follows:

(Dollars in millions)	**2006**	2005	2004
U.S. hourly and salaried	**$ 2**	$ –	$ –
Other U.S.	**78**	125	117
Non-U.S.	**889**	708	802

In 2007, GM does not have any contributions due for its U.S. hourly or salaried pension plans. GM does not expect to make any discretionary contributions into the U.S. hourly or salaried pension plans in 2007. GM expects to contribute or pay benefits of approximately $100 million to its other U.S. pension plan and $600 million to its primary non-U.S. pension plans, which include GM Canada, Adam Opel, and Vauxhall, in 2007.

GM's U.S. hourly and salaried pension plans were overfunded by $17.1 billion in 2006 and $7.5 billion in 2005. This increase was primarily attributable to strong actual asset returns of approximately 15% in 2006. GM's non-U.S. pension plans were underfunded by $10.9 billion at the end of 2006 and $10.7 billion at the end of 2005.

GM also maintains hourly and salaried OPEB plans that provide postretirement medical, dental, vision and life insurance to most U.S. retirees and eligible dependents. Certain of the non-U.S. subsidiaries have postretirement benefit plans, although most participants are covered by government sponsored or administered programs. GM's U.S. OPEB plan was underfunded by $47.4 billion in 2006 and $62.1 billion in 2005. GM's non-U.S. OPEB plans were underfunded by $3.7 billion in 2006 and $3.8 billion in 2005.

In 2006, GM withdrew a total of $4.1 billion from plan assets of its VEBA trusts for its OPEB plans for reimbursement of retiree healthcare and life insurance benefits provided to eligible plan participants. In 2005, GM withdrew a total of $3.2 billion from its VEBA trust. In 2007, GM currently anticipates to withdraw approximately $2 billion from plan assets of its VEBA trust for OPEB plans.

Pursuant to the UAW Health Care Settlement Agreement, GM is required to make certain contributions to a new independent VEBA trust to be used to mitigate the effect of reduced GM health-care coverage for UAW retirees over a number of years. GM has no control over the assets of this VEBA trust.

The following benefit payments, which reflect estimated future employee services, as appropriate, are expected to be paid:

	Pension Benefits*		Other Benefits	
(Dollars in millions)	U.S. Plans	Primary Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
2007	$7,270	$956	$3,751	$146
2008	7,142	1,027	3,895	157
2009	7,037	1,056	4,035	167
2010	6,959	1,097	4,161	177
2011	6,890	1,140	4,254	187

* *Benefits for most U.S. pension plans and certain non-U.S. pension plans are paid out of plan assets rather than cash.*

OFF-BALANCE SHEET ARRANGEMENTS

GM uses off-balance sheet arrangements where the economics and sound business principles warrant their use. GM's principal use of off-balance sheet arrangements occurs in connection with the securitization and sale of financial assets.

Liquidity and Capital Resources *(concluded)*

The financial assets sold by GM consist principally of trade receivables that are part of a securitization program that GM has participated in since 2004. As part of this program, GM entered into an agreement to sell undivided interests in eligible trade receivables up to $850 million and $1 billion in 2006 and 2005, respectively, to a bank conduit that funds its purchases through issuance of commercial paper or via direct bank funding. The receivables under the program were sold at a fair market value and were excluded from the consolidated balance sheets. The loss on the trade receivables sold is included in Automotive cost of sales and was $30 million in 2006 and $23 million in 2005. The amount of receivables sold as of December 31, 2006 and 2005 was $200 million and $444 million, respectively. GM does not have a retained interest in the receivables sold, but performs collection and administrative functions. The gross amount of proceeds received from the sale of receivables under this program was approximately $9.0 billion and $12.8 billion in 2006 and 2005, respectively.

In addition to this securitization program, GM participates in other trade receivable securitization programs, primarily in Europe. Financing providers had a beneficial interest in GM's pool of eligible European receivables of $0.1 billion and $0.3 billion as of December 31, 2006 and 2005, respectively, related to those securitization programs.

GM leases real estate and equipment from various off-balance sheet entities that have been established to facilitate the financing of those assets for GM by nationally prominent lessors that GM believes are creditworthy. These assets consist principally of office buildings, warehouses, and machinery and equipment. The use of such entities allows the parties providing the financing to isolate particular assets in a single entity and thereby syndicate the financing to multiple third parties. This is a conventional financing technique used to lower the cost of borrowing and, thus, the lease cost to a lessee such as GM. There is a well-established market in which institutions participate in the financing of such property through their purchase of ownership interests in these entities, and each is owned by institutions that are independent of, and not affiliated with, GM. GM believes that no officers, directors, or employees of GM, or their affiliates hold any direct or indirect equity interests in such entities.

Because of the GMAC Transaction in November 2006, GMAC's assets in off-balance sheet entities were not attributable to GM at the end of 2006. The GMAC transaction and a lower utilization of GM's trade receivables securitization primarily explain the decrease in off-balance sheet arrangements. Assets in off-balance sheet entities were as follows:

	December 31,	
(Dollars in millions)	**2006**	2005
Assets leased under operating leases	**$2,248**	$2,430
Trade receivables sold*	**309**	708
Total	**$2,557**	$3,138

* *As of December 31, 2005, additional off-balance sheet trade receivables sold to GMAC were $525 million.*

CONTRACTUAL OBLIGATIONS AND OTHER LONG-TERM LIABILITIES

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

The following table provides aggregated information about our outstanding contractual obligations and other long-term liabilities as of December 31, 2006.

	Payments Due by Period				
(Dollars in millions)	2007	2008–2009	2010–2011	2012 and after	Total
Debt	$ 5,585	$ 2,416	$ 1,745	$27,375	$ 37,121
Capital lease obligations	229	1,134	181	380	1,924
Operating lease obligations	535	890	770	788	2,983
Contractual commitments for capital expenditures	644	59	5	4	712
Other contractual commitments:					
Postretirement benefits (1)	4,144	5,610	6,582	–	16,336
Less: VEBA assets (2)	(4,144)	(5,610)	(6,582)	–	(16,336)
Net post retirement benefits	–	–	–	–	–
Material	1,858	2,620	1,222	375	6,075
Information technology	1,065	98	1	–	1,164
Marketing	1,438	719	394	36	2,587
Facilities	465	549	169	81	1,264
Rental car repurchases	6,353	5	–	–	6,358
Policy, product warranty and recall campaigns liability	4,417	4,094	508	45	9,064
Total contractual commitments	$22,589	$12,584	$ 4,995	$29,084	$ 69,252
Remaining balance postretirement benefits	$ 723	$ 2,641	$ 3,192	$45,113	$ 51,669
Less: VEBA assets (2)	(543)	–	–	–	(543)
Net	$ 180	$ 2,641	$ 3,192	$45,113	$ 51,126

(1) *Amounts include postretirement benefits under the current contractual labor agreements in North America. The remainder of the estimated liability, for benefits beyond the current labor agreement and for essentially all salaried employees, is classified under remaining balance of postretirement benefits. These obligations are not contractual.*

(2) *Total VEBA assets were allocated based on projected spending requirements. Amount includes $0.1 billion VEBA withdrawal in the fourth quarter of 2006.*

The combined U.S. hourly and salaried pension plans were $17.1 billion overfunded at year-end 2006. As a result, GM does not expect to make any contributions to its U.S. hourly and salaried pension plans for the foreseeable future, assuming there are no material changes in present market conditions.

Dividends

Dividends may be paid on our $1 2/3 par value common stock when, as, and if declared by GM's board of directors in its sole discretion out of amounts available for dividends under applicable law. Under Delaware law, our board may declare dividends only to the extent of our statutory "surplus" (i.e., total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year.

GM's policy is to distribute dividends on its $1 2/3 par value common stock based on the outlook and indicated capital needs of the business. Cash dividends per share of GM $1 2/3 par value common stock were $1.00 in 2006, and $2.00 in 2005 and 2004. At the February 6, 2007 meeting of the GM board of directors, the board approved the payment of a $0.25 quarterly dividend on GM $1 2/3 par value common stock for the first quarter of 2007. Cash dividends per share of common stock were $0.25 per quarter for 2006.

Critical Accounting Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the periods presented. Management believes that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

Pension and OPEB – Pension and OPEB costs and liabilities are dependent on assumptions used in calculating such amounts. The primary assumptions include factors such as discount rates, health care cost trend rates, expected return on plan assets, mortality rates, retirement rates, and rate of compensation increase, discussed below:

- ***Discount rates.*** Beginning with the 2005 year-end valuations, GM estimates the discount rate for its U.S. pension and OPEB obligations using an iterative process based on a hypothetical investment in a portfolio of high-quality bonds (rated AA or higher by a recognized rating agency) and a hypothetical reinvestment of the proceeds of such bonds upon maturity (at forward rates derived from a yield curve) until its U.S. pension and OPEB obligations are fully defeased. GM incorporates this reinvestment component into its methodology because it is not feasible, in light of the magnitude and time horizon over which its U.S. pension and OPEB obligations extend, to accomplish full defeasance through direct cash flows from an actual set of bonds selected at any given measurement date. This improved methodology, considered a change in estimate, was developed during 2005 and was adopted because it was deemed superior to the previously available algorithms for estimating assumed discount rates. In particular, this approach permits a better match of future cash outflows related to benefit payments with future cash inflows associated with bond coupons and maturities.

  Prior to the 2005 year-end valuations, GM estimated the discount rate for its U.S. pension and OPEB obligations by reference to Moody's AA Index, Citibank Salomon Smith Barney's above-median curve, and Watson Wyatt's bond-matching model as well as benchmarking.

- ***Health care cost trend rate.*** Our health-care cost trend rate is based on historical retiree cost data, near term health care outlook, including appropriate cost control measures implemented by GM, and industry benchmarks and surveys.

- ***Expected return on plan assets.*** Our expected return on plan assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated future long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plans' asset mix. While the studies give appropriate consideration to recent plan performance and historical returns, the assumptions are primarily long-term, prospective rates of return.

- ***Mortality rates.*** Mortality rates are based on actual and projected plan experience.

- ***Retirement rates.*** Retirement rates are based on actual and projected plan experience.

- ***Rate of compensation increase.*** The rate of compensation increase for final pay plans reflects our long-term actual experience and our outlook, including contractually agreed upon wage rate increases for represented hourly employees.

In accordance with GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect GM's pension and other postretirement obligations and future expense.

The following information illustrates the sensitivity to a change in certain assumptions for U.S. pension plans (as of December 31, 2006 the projected benefit obligation (PBO) for U.S. pension plans was $85 billion):

Change in Assumption	Effect on 2007 Pre-Tax Pension Expense	Effect on December 31, 2006 PBO
25 basis point decrease in discount rate	+$110 million	+$2.0 billion
25 basis point increase in discount rate	–$110 million	–$2.0 billion
25 basis point decrease in expected return on assets	+$230 million	–
25 basis point increase in expected return on assets	–$230 million	–

GM's U.S. pension plans generally provide covered U.S. hourly employees with pension benefits of negotiated, flat dollar amounts for each year of credited service earned by an individual employee. Formulas providing for such stated amounts are contained in the prevailing labor contract that expires in September 2007. Consistent with GAAP, the 2006 pension expense and December 31, 2006 PBO do not comprehend any future benefit increases or decreases from one contract to the next. The current cycle for negotiating new labor contracts is every four years. There is no past practice of maintaining a consistent level of benefit increases or decreases from one contract to the next. However, the following data illustrates the sensitivity of pension expense and PBO to hypothetical assumed changes in future basic benefits. An annual one-percentage point increase in the benefit units for U.S. hourly employees would result in a $100 million increase in 2007 pension expense and a $510 million increase in the December 31, 2006 U.S. hourly plan PBO. An annual one-percentage point decrease in the same benefit unit would result in a $90 million decrease in 2007 pension expense and a $460 million decrease in the same PBO.

The following table illustrates the sensitivity to a change in the discount rate assumption related to GM's U.S. OPEB plans (the U.S. accumulated postretirement benefit obligation (APBO) was a significant portion of GM's worldwide APBO of $68 billion as of December 31, 2006):

Change in Assumption	Effect on 2007 Pre-Tax OPEB Expense	Effect on December 31, 2006 APBO
25 basis point decrease in discount rate	+ $107 million	+ $1.8 billion
25 basis point increase in discount rate	– $102 million	– $1.7 billion

Critical Accounting Estimates *(continued)*

A one-percentage point increase in the assumed U.S. health care trend rates would have increased the U.S. APBO by $6.0 billion, and the aggregate service and interest cost components of non-pension postretirement benefit expense on an annualized basis by $502 million. A one-percentage point decrease would have decreased the U.S. APBO by $5.0 billion and the aggregate service and interest cost components of non-pension postretirement benefit expense on an annualized basis by $413 million.

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

Deferred Taxes – GM recognizes deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. GM regularly evaluates for recoverability its deferred tax assets and establishes a valuation allowance based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and the implementation of tax-planning strategies. GM considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. If GM is unable to generate sufficient future taxable income in certain tax jurisdictions, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, GM could be required to increase its valuation allowance against its deferred tax assets resulting in additional income tax expense. As of December 31, 2006, we had approximately $34.8 billion in U.S. net deferred tax assets. At this time, we consider it more likely than not that we will have U.S. taxable income in the future that will allow us to realize these deferred tax assets. However, it is possible that some or all of these deferred tax assets could ultimately expire unused, especially if GM's automotive operations are not profitable.

Sales Incentives – At the later of the time of sale or the time an incentive is announced to dealers (applies to vehicles sold by GM and in dealer inventory), GM records as a reduction of revenue the estimated impact of sales allowances in the form of dealer and customer incentives. There may be numerous types of incentives available at any particular time. Incentive programs are generally brand specific, model specific, or regionally specific. Some factors used in estimating the cost of incentives include the volume of vehicles that will be affected by the incentive programs offered by product, product mix, and the rate of customer acceptance of any incentive program. If the actual number of affected vehicles differs from this estimate, or if a different mix of incentives is actually paid, the reduction of revenue for sales incentives could be affected. As discussed above, there are a multitude of inputs affecting the calculation of the estimate for sales allowances, an increase or decrease of any of these variables could have a significant impact on the reduction of revenue for sales allowances.

Policy, Warranty and Recalls – Provisions for estimated expenses related to policy and product warranties are made at the time products are sold. These estimates are established using historical information on the nature, frequency, and average cost of claims. Management actively studies trends of claims and takes action to improve vehicle quality and minimize claims. Actual experience could differ from the amounts estimated requiring adjustment to these liabilities in future periods.

Impairment of Long-Lived Assets – GM periodically reviews the carrying value of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives and assets to be disposed of, when events and circumstances warrant and in conjunction with the annual business planning cycle. This review is performed using estimates of future cash flows discounted at a rate commensurate with the risk involved. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Product lines could become impaired in the future or require additional charges as a result of declines in profitability due to changes in volume, pricing or costs.

Postemployment Benefits – Costs to idle, consolidate, or close facilities and provide postemployment benefits to employees on an other than temporary basis are accrued based on management's best estimate of the wage and benefits costs that will be incurred for qualified employees under the JOBS bank provisions of the current labor agreement through the date of its expiration in September 2007, plus estimated costs expected to be paid thereafter. These estimates include a 45% and 9% projected level of acceptance of normal and early retirement offers, respectively, made pursuant to the current labor agreement. The estimates of acceptances were based on GM's historical experience of offering such programs. Costs related to the idling of employees that is expected to be temporary are expensed as incurred. GM reviews the adequacy and continuing need for these liabilities on an annual basis in conjunction with its year-end production and labor forecasts. Furthermore, GM reviews the reasonableness of these liabilities on a quarterly basis.

Valuation of Operating Leases and Lease Residuals – In accounting for operating leases, management must make a determination at the beginning of the lease of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an estimate of the market value of the vehicle at the end of the lease term, which typically ranges from nine months to four years. The customer is obligated to make payments during the term of the lease to the contract residual. However, since the customer is not obligated to purchase the vehicle at the end of the contract, we are exposed to a risk of loss to the extent the value of the vehicle is below the residual value estimated at contract inception.

The residual values represent an estimate of the values of the assets at the end of the lease contracts and are initially determined by consulting independently published residual value guides. Realization of the residual values is dependent on our future ability to market the vehicles under the prevailing market conditions. Over the life of the lease, we evaluate the adequacy of our estimate of the residual value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. For operating leases arising from vehicle sales to daily rental car companies, the adjustment may be in the form of revisions to the depreciation rate or recognition of an impairment loss. Impairment is determined to exist if the undiscounted expected future cash flows are lower than the carrying value of the asset. For operating leases arising from vehicles sold to dealers, the adjustment is made to the estimate of marketing incentive accruals for residual support programs initially recognized when vehicles are sold to dealers (refer to *Marketing Incentives and Operating Lease Residuals* in Note 28). When a lease vehicle is returned to us, the asset is reclassified from investment in operating leases to inventory at the lower of cost or estimated fair value, less costs to sell.

Our depreciation methodology on operating lease assets considers management's expectation of the value of the vehicles upon lease termination, which is based on numerous assumptions and factors influencing used automotive vehicle values. The critical assumptions underlying the estimated carrying value of automotive lease assets include: (1) estimated market value information obtained and used by management in estimating residual values, (2) proper identification and estimation of business conditions, (3) our remarketing abilities, and (4) GM's vehicle and marketing programs. Changes in these assumptions could have a significant impact on the value of the lease residuals.

Accounting for Derivatives and Other Fair Value Measurements – The Corporation uses derivatives in the normal course of business to manage its exposure to fluctuations in commodity prices and interest and foreign currency rates. The Corporation accounts for its derivatives on the Consolidated Balance Sheet as assets or liabilities at fair value in accordance with SFAS No. 133. Such accounting is complex and requires significant judgments and estimates involved in the estimating of fair values in the absence of quoted market prices.

Critical Accounting Estimates *(concluded)*

We use estimates and various assumptions in determining the fair value of many of our assets, including retained interests and securitizations of loans and contracts, mortgage servicing rights, and other investments which do not have an established market value or are not publicly traded. It is difficult to determine the accuracy of our estimates and assumptions, and our actual experience may differ materially from these estimates and assumptions.

New Accounting Standards

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which supplements SFAS No. 109, "Accounting for Income Taxes," by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. The Interpretation requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. At adoption, companies must adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained as of the adoption date. Any necessary adjustment would be recorded directly to retained earnings in the period of adoption and reported as a change in accounting principle. This Interpretation is effective as of the beginning of the first fiscal year beginning after December 15, 2006. Management estimates that upon adoption, a cumulative effect adjustment of approximately $50 million to $100 million will decrease reserves for uncertain tax positions and increase retained earnings. This estimate is subject to revision as management completes its analysis.

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108, "Quantifying Financial Misstatements", which expresses the Staff's views regarding the process of quantifying financial statement misstatements. Registrants are required to quantify the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. The techniques most commonly used in practice to accumulate and quantify misstatements are generally referred to as the "rollover" (current year income statement perspective) and "iron curtain" (year-end balance sheet perspective) approaches. The financial statements would require adjustment when either approach results in quantifying a misstatement that is material, after considering all relevant quantitative and qualitative factors. This bulletin is effective for financial statements for the first fiscal year ending after November 15, 2006. Prior to the issuance of this Bulletin, GM quantified the impact of errors using both the iron curtain approach and rollover approach, therefore, this SAB has no financial statement impact for GM.

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurement" (SFAS No. 157) which provides a definition of fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions of SFAS No. 157 should be applied prospectively. Management is assessing the potential impact of this standard on GM's financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," (SFAS No. 158) which amends SFAS No. 87, "Employers' Accounting for Pensions" (SFAS No. 87), SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (SFAS No. 88), SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106), and SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits (revised 2003)" (SFAS No. 132(R)). This Statement requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements. SFAS No. 158 also requires the measurement date for plan assets and liabilities to coincide with the sponsor's year end. The standard provides two transition alternatives related to the change in measurement date provisions. The recognition of an asset and liability related to the funded status provision is effective for fiscal year ending after December 15, 2006 and the change in measurement date provisions is effective for fiscal years ending after December 15, 2008. GM adopted the recognition of an asset and liability related to the funded status provisions of SFAS No. 158 at December 31, 2006. The additional net pension and OPEB liability included on the balance sheet is $27.4 billion. The impact of adoption also resulted in additional net deferred tax assets of $10.8 billion. The impact of adoption to shareholders' equity was a reduction of $16.9 billion. There was no impact on pension or OPEB expense, cash flow or benefits plans. See Note 19 for further discussion of the implementation of the recognition provisions of SFAS No. 158. Management has elected to early adopt the measurement-date provisions of SFAS No. 158, which requires new measurement dates coinciding with GM's fiscal year for all plans, for 2007. GM will use the "two-measurement" approach in adopting the measurement-date provisions of SFAS No. 158. See Note 19 for further discussions of the measurement-date provisions of SFAS No. 158 which were early adopted by GM on January 1, 2007.

In October 2006, the FASB issued FSP No. 123(R)-5 "Amendment of FASB Staff Position FAS No. 123(R)-1". This FSP amends FSP FAS No. 123(R)-1, "Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services under SFAS No. 123(R)," to clarify that freestanding financial instruments that were originally issued as employee compensation subject to SFAS No. 123(R) and subsequently modified solely to reflect an equity restructuring that occurs when the holders are no longer employees, should continue to be subject to the recognition and measurement provisions of SFAS No. 123(R) if certain conditions are met. The provisions in this FSP are effective for the first reporting period beginning after October 10, 2006. GM adopted the provisions of FSP 123(R)-5 on January 1, 2007. This guidance did not have a material effect on GM's financial condition and results of operations.

In October 2006, the FASB issued FSP No. 123(R)-6 "Technical Corrections of FASB Statement No. 123(R)," which revises the definition of "short-term inducement" to exclude an offer to settle an award. The provisions of this FSP are effective for the first reporting period beginning after October 20, 2006. GM adopted the provisions of FSP 123R-6 on January 1, 2007. This guidance did not have a material effect on GM's financial condition and results of operations.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of SFAS No. 115" (SFAS No. 159), which permits an entity to measure many financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with a few exceptions. SFAS No. 159 amends previous guidance to extend the use of the fair value option to available-for-sale and held-to-maturity securities. The Statement also establishes presentation and disclosure requirements to help financial statement users understand the effect of the election. SFAS No. 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. Management is currently assessing the potential impact of the standard on GM's financial condition and results of operations.

Forward-Looking Statements

In this report, in reports subsequently filed by GM with the SEC on Form 10-Q and filed or furnished on Form 8-K, and in related comments by management of GM, our use of the words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," "designed," "impact," or the negative of any of those words or similar expressions is intended to identify forward-looking statements that represent our current judgment about possible future events. All statements in this report and subsequent reports which GM may file with the SEC on Form 10-Q or file or furnish on Form 8-K, other than statements of historical fact, including without limitation, statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. We believe these judgments are reasonable, but these statements are not guarantees of any events or financial results, and GM's actual results may differ materially due to a variety of important factors that may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K. Such factors include, among others, the following:

- The ability of GM to realize production efficiencies, to achieve reductions in costs as a result of the turnaround restructuring and health care cost reductions and to implement capital expenditures at levels and times planned by management;
- The pace of product introductions;
- Market acceptance of the Corporation's new products;
- Significant changes in the competitive environment and the effect of competition in the Corporation's markets, including on the Corporation's pricing policies;
- Our ability to maintain adequate liquidity and financing sources and an appropriate level of debt;
- Changes in the existing, or the adoption of new, laws, regulations, policies, or other activities of governments, agencies, and similar organizations where such actions may affect the production, licensing, distribution, or sale of our products, the cost thereof or applicable tax rates;
- Costs and risks associated with litigation;
- The final results of investigations and inquiries by the SEC and other governmental agencies;
- Changes in our accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, including the range of estimates for the Delphi pension benefit guarantees, which could result in an impact on earnings;
- Changes in relations with unions and employees/retirees and the legal interpretations of the agreements with those unions with regard to employees/retirees;
- Negotiations and bankruptcy court actions with respect to Delphi's obligations to GM, negotiations with respect to GM's obligations under the pension benefit guarantees to Delphi employees, and GM's ability to recover any indemnity claims against Delphi;
- Labor strikes or work stoppages at GM or its key suppliers such as Delphi or financial difficulties at GM's key suppliers such as Delphi;
- Additional credit rating downgrades and the effects thereof;
- Shortages of and price increases for fuel; and
- Changes in economic conditions, commodity prices, currency exchange rates, or political stability in the markets in which we operate.

In addition, GMAC's actual results may differ materially due to numerous important factors that are described in GMAC's most recent report on SEC Form 10-K, which may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K. Such factors include, among others, the following:

- Factors affecting results of operations and financial condition such as credit ratings, adequate access to the market, changes in the residual value of off-lease vehicles, changes in U.S. government-sponsored mortgage programs, disruptions in the markets in which its mortgage subsidiaries operate, and changes in its contractual servicing rights;
- Significant changes in the competitive environment and the effect of competition in the GMAC's markets, including on the GMAC's pricing policies;
- Its ability to maintain adequate financing sources;
- Its ability to maintain an appropriate level of debt;
- Restrictions on ResCap's ability to pay dividends and prepay subordinated debt obligations to GMAC;
- Changes in the residual value of off-lease vehicles;
- Changes in U.S. government-sponsored mortgage programs or disruptions in the markets in which GMAC's mortgage subsidiaries operate;
- Changes in its contractual servicing rights;
- Costs and risks associated with litigation;
- Changes in GMAC's accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;
- Changes in the credit ratings of GMAC or GM;
- The threat of natural calamities;
- Changes in economic conditions, currency exchange rates, or political stability in the markets in which it operates; and
- Changes in the existing, or the adoption of new, laws, regulations, policies, or other activities of governments, agencies and similar organizations.

We caution investors not to place undue reliance on forward-looking statements. We undertake no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events, or other such factors that affect the subject of these statements, except where we are expressly required to do so by law.

Quantitative and Qualitative Disclosures About Market Risk

GM is exposed to market risk from changes in foreign currency exchange rates, interest rates, and certain commodity and equity prices. The Company enters into a variety of foreign exchange, interest rate, and commodity forward contracts and options to maintain the desired level of exposure arising from these risks.

The overall financial risk management program is placed under the responsibility of the Risk Management Committee (RMC), which reviews and, where appropriate, approves recommendations on the level of exposure and the strategies to be pursued to mitigate these risks. A risk management control system is utilized to monitor the strategies, risks, and related hedge positions, in accordance with the policies and procedures approved by the RMC.

A discussion of GM's accounting policies for derivative financial instruments is included in Note 3 to the Consolidated Financial Statements. Further information on GM's exposure to market risk is included in Notes 23 and 24 to the Consolidated Financial Statements.

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

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

Foreign Exchange Rate Risk – GM has foreign currency exposures related to buying, selling, and financing in currencies other than the local currencies in which it operates. Derivative instruments, such as foreign currency forwards, swaps and options are used to hedge these exposures. At December 31, 2006, the net fair value asset of financial instruments with exposure to foreign currency risk was approximately $8.4 billion compared to a net fair value liability of $3.5 billion at December 31, 2005. The potential loss in fair value for such financial instruments from a 10% adverse change in quoted foreign currency exchange rates would be approximately $1.8 billion and $0.5 billion for 2006 and 2005, respectively.

The analysis excludes GMAC's portfolio at December 31, 2006. This entity is reported as an equity-method investee from December 1, 2006, while it was consolidated at December 31, 2005.

Interest Rate Risk – GM is subject to market risk from exposure to changes in interest rates due to its financing activities. Interest rate risk is managed mainly with interest rate swaps.

At December 31, 2006 and 2005, the net fair value asset of financial instruments held for purposes other than trading with exposure to interest rate risk was approximately $25.3 billion and $41.9 billion, respectively. The potential loss in fair value resulting from a 10% adverse shift in quoted interest rates would be approximately $1.5 billion and $3.0 billion for 2006 and 2005, respectively.

The analysis excludes GMAC's portfolio at December 31, 2006. This entity is reported as an equity-method investee from December 1, 2006, while it was consolidated at December 31, 2005.

Commodity Price Risk – GM is exposed to changes in prices of commodities used in its Automotive business, primarily associated with various non-ferrous and precious metals for automotive components, and energy used in the overall manufacturing process. Some of the commodity purchase contracts meet the definition of a derivative under SFAS No. 133. In addition, GM enters into various derivatives, such as commodity swaps and options, to offset its commodity price exposures.

At December 31, 2006 and 2005 the net fair value asset of derivative and purchase contracts was approximately $754.6 million and $781.6 million, respectively. The potential loss in fair value resulting from a 10% adverse change in the underlying commodity prices would be approximately $318.2 million and $289.5 million for 2006 and 2005, respectively. This amount excludes the offsetting impact of the commodity price risk inherent in the physical purchase of the underlying commodities.

Equity Price Risk – The available-for-sale equity securities at December 31, 2005 were related to the insurance business of GMAC. This entity is reported as an equity-method investee from December 1, 2006 and therefore its investments are no longer reported in the consolidated balance sheet.

Disclosure Controls and Procedures

The Corporation maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods and accumulated and communicated to GM's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

GM's management, under the supervision and with the participation of its Chairman and Chief Executive Officer (CEO) and its Vice Chairman and Chief Financial Officer (CFO), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, GM's CEO and CFO concluded that, as of that date, GM's disclosure controls and procedures required by paragraph (b) of 13a-15 or 15d-15 were not effective at the reasonable assurance level because of the identification of material weaknesses in our internal control over financial reporting, which we view as an integral part of our disclosure controls and procedures.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting of the Corporation. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The Corporation's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation's assets that could have a material effect on the financial statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in there being a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, the Corporation determined that there were control deficiencies that constituted material weaknesses, as described below.

1. The Corporation lacked the technical expertise and processes to ensure compliance with SFAS No. 109, *Accounting for Income Taxes,* and did not maintain adequate controls with respect to (a) timely tax account reconciliations and analyses, (b) coordination and communication between Corporate Accounting and Tax Staffs, and (c) timely review and analysis of corporate journals recorded in the consolidation process. This material weakness resulted in a restatement of prior financial statements, as described in Note 2 to the Consolidated Financial Statements, and, if not remediated, has the potential to cause a material misstatement in the future.

2. The Corporation in certain instances lacked the technical expertise and did not maintain adequate procedures to ensure that the accounting for derivative financial instruments under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* was appropriate. Procedures relating to hedging transactions in certain instances did not operate effectively to (a) properly evaluate hedge accounting treatment (b) meet the documentation requirements of SFAS No. 133, (c) adequately assess and measure hedge effectiveness on a quarterly basis, and (d) establish the appropriate communication and coordination between relevant GM departments involved in complex financial transactions. This material weakness resulted in a restatement of prior financial statements, as described in Note 2 to the Consolidated Financial Statements and, if not remediated, has the potential to cause a material misstatement in the future.

3. The Corporation did not maintain a sufficient complement of personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of generally accepted accounting principles commensurate with the Corporation's complex financial accounting and reporting requirements and low materiality thresholds. This was evidenced by a significant number of out-of-period adjustment noted during the year-end closing process. This material weakness contributed to the restatement of prior financial statements, as described in Note 2 to the Consolidated Financial Statements and, if not remediated, has the potential to cause a material misstatement in the future.

4. Due to the previously reported material weaknesses, as evidenced by the significant number and magnitude of out-of-period adjustments identified during the year-end closing process and the resulting restatements related to deferred taxes and hedging activities, management has concluded that the controls over the period-end financial reporting process were not operating effectively. Specifically, controls were not effective to ensure that significant non-routine transactions, accounting estimates, and other adjustments were appropriately reviewed, analyzed, and monitored on a timely basis. A material weakness in the period-end financial reporting process could result in the Corporation not being able to meet its regulatory filing deadlines and, if not remediated, has the potential to cause a material misstatement or to miss a filing deadline in the future.

Management performed an assessment of the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2006, utilizing the criteria described in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The objective of this assessment was to determine whether the Corporation's internal control over financial reporting was effective as of December 31, 2006.

Based on our assessment, and because of the material weaknesses described above, management has concluded that our internal control over financial reporting was not effective as of December 31, 2006.

Management's assessment of the effectiveness of the Corporation's internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fourth quarter of 2006, GM sold a 51% interest in our wholly-owned subsidiary General Motors Acceptance Corporation (GMAC), which is described in more detail in Note 4 of the Notes to the Consolidated Financial Statements. Accordingly, GMAC's controls were not part of management's assessment of internal control over financial reporting as of December 31, 2006; however, the Corporation has designed and implemented controls to ensure the appropriate recognition of equity method earnings and losses for GMAC and the effective monitoring of its investment account balance.

Certain of the personnel changes described below in "Remediation of Material Weaknesses" occurred during the fourth quarter of 2006. Other than as described above, there have not been any other changes in the Corporation's internal control over financial reporting during the quarter ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

G. Richard Wagoner
Chairman and
Chief Executive Officer
March 14, 2007

Frederick A. Henderson
Vice Chairman and
Chief Financial Officer
March 14, 2007

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our Disclosure Controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within General Motors have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Remediation of Material Weaknesses

The Corporation is in the process of developing and implementing remediation plans to address our material weaknesses. Management has taken the following actions to improve the internal controls over financial reporting:

- A new Controller and Corporate Chief Accounting Officer was appointed, effective December 1, 2006.
- A new Chief Accounting Officer (CAO) for GMNA was appointed along with the appointment of six new accounting managers to support GMNA, Global Purchasing Supply Chain, Information Systems and Services, Vehicle Sales, Service and Marketing, Manufacturing related activities, and Powertrain. Also, a new CAO was appointed for Treasury Operations.
- A new Director of Accounting Policy, Research, and SEC Reporting was appointed to manage all SEC related activities including accounting guidance and periodic reporting.
- Management has initiated the Accounting Career Development Program, which is intended to facilitate improvements in the recruitment, training, and development of technical accounting personnel.

In addition, the following describes specific remedial actions to be taken for each of the material weaknesses described above:

1. Reorganize and restructure the Tax Department by (a) moving the Tax Accounting function from Corporate Accounting to the Tax Department to ensure better coordination on complex tax issues, (b) implementing new policies and procedures to ensure that tax account reconciliations and analyses are properly prepared and monitored on a timely basis, (c) establishing appropriate communication and collaboration protocols between the Tax Department and Corporate Accounting group, and (d) hiring the necessary technical tax accounting personnel to support GM's complex tax environment.
2. Implement additional policies, procedures, and documentation retention requirements for hedge accounting to ensure compliance with SFAS No. 133. Contract with outside SFAS No. 133 experts in the interim until the necessary technical accounting personnel can be hired to support GM's complex hedge accounting activities.
3. Reorganize and restructure Corporate Accounting by (a) revising the reporting structure and establishing clear roles, responsibilities, and accountability, (b) hiring additional technical accounting personnel to address GM's complex accounting and financial reporting requirements, and (c) assessing the technical accounting capabilities in the operating units to ensure the right complement of knowledge, skills, and training.
4. Improve period-end closing procedures by (a) requiring all significant non-routine transactions to be reviewed by Corporate Accounting, (b) ensuring that account reconciliations and analyses for significant financial statement accounts are reviewed for completeness and accuracy by qualified accounting personnel, (c) implementing a process that ensures the timely review and approval of complex accounting estimates by qualified accounting personnel and subject matter experts, where appropriate, and (d) developing better monitoring controls at Corporate Accounting and the operating units.

In light of this, management has augmented the resources in Corporate Accounting by utilizing external resources in technical accounting areas and implemented additional closing procedures for the year ended December 31, 2006. As a result, management believes that there are no material inaccuracies or omissions of material fact and, to the best of its knowledge, believes that the consolidated financial statements for the year ended December 31, 2006 fairly present in all material respects the financial condition and results of operations for the Corporation in conformity with accounting principles generally accepted in the United States of America.

As discussed in GM's Annual Report on Form 10-K for the year ended December 31, 2005, GM management also identified a significant deficiency in internal controls related to accounting for complex contracts. This deficiency was noted as a result of certain contracts being accounted for incorrectly and without appropriate consideration of the economic substance of the contracts. As part of its remediation efforts, GM management issued procedural guidance regarding the evaluation of and accounting for complex contracts. Further, GM management has implemented a delegation of authority for approval of the accounting for complex contracts that requires formal review and approval by experienced accounting personnel. GM management will continue to monitor the effectiveness of the remedial actions.

Report of Independent Registered Public Accounting Firm

General Motors Corporation, its Directors, and Stockholders:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting that General Motors Corporation and subsidiaries (the Corporation) did not maintain effective internal control over financial reporting as of December 31, 2006, because of the effect of the material weaknesses identified in management's assessment, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weaknesses have been identified and included in management's assessment resulting from deficiencies in the design or operation of the respective controls:

(1) The Corporation lacked the technical expertise and processes to ensure compliance with Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes,* and did not maintain adequate controls with respect to (a) timely tax account reconciliations and analyses, (b) coordination and communication between Corporate Accounting and Tax Staffs, and (c) timely review and analysis of corporate journals recorded in the consolidation process. This material weakness resulted in a restatement of prior financial statements, as described in Note 2 to the consolidated financial statements and, if not remediated, could result in a material misstatement in the future.

(2) The Corporation, in certain instances, lacked the technical expertise and did not maintain adequate procedures to ensure that the accounting for derivative financial instruments under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), was appropriate. Procedures relating to hedging transactions in certain instances did not operate effectively to (a) properly evaluate hedge accounting treatment, (b) meet the documentation requirements of SFAS No. 133, (c) adequately assess and measure hedge effectiveness on a quarterly basis, and (d) establish the appropriate communication and coordination between relevant GM departments involved in complex hedging transactions. This material weakness resulted in a restatement of prior financial statements, as described in Note 2 to the consolidated financial statements and, if not remediated, could result in a material misstatement in the future.

(3) The Corporation did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience, and training in the application of generally accepted accounting principles commensurate with the Corporation's complex financial accounting and reporting requirements. This material weakness contributed to the restatement of prior financial statements, as described in Note 2 to the consolidated financial statements and, if not remediated, has the potential to cause a material misstatement in the future.

(4) Due to the previously reported material weaknesses, as evidenced by the significant number and magnitude of out-of-period adjustments identified during the year-end closing process and the resulting restatement related to deferred taxes, and derivatives and hedging activities, management has concluded that the controls over the period-end financial reporting process were not operating effectively. Specifically, controls were not effective to ensure that significant non-routine transactions, accounting estimates, and other adjustments were appropriately reviewed, analyzed, and monitored on a timely basis. This material weakness contributed to the restatement of prior financial statements, as described in Note 2 to the consolidated financial statements and, if not remediated, has the potential to cause a material misstatement in the future.

Report of Independent Registered Public Accounting Firm *(concluded)*

Management has restated previously reported 2005 and 2004 consolidated financial statements due to these matters. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2006. This report does not affect our report on such consolidated financial statements.

In our opinion, management's assessment that the Corporation did not maintain effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, the Corporation has not maintained effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Consolidated Balance Sheet and the related Consolidated Statements of Operations, Cash Flows, and Stockholders' Equity (Deficit) of the Corporation as of and for the year ended December 31, 2006. Our report dated March 14, 2007 expressed an unqualified opinion on those financial statements and included explanatory paragraphs concerning (1) the adoption of the funded status recognition provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)* and (2) the Corporation's sale of a controlling interest in GMAC LLC.

Deloitte & Touche LLP

Detroit, Michigan
March 14, 2007

Report of Independent Registered Public Accounting Firm

General Motors Corporation, its Directors, and Stockholders:

We have audited the accompanying Consolidated Balance Sheets of General Motors Corporation and subsidiaries (the Corporation) as of December 31, 2006 and 2005, and the related Consolidated Statements of Operations, Cash Flows, and Stockholders' Equity (Deficit) for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of General Motors Corporation and subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the accompanying 2005 and 2004 consolidated financial statements have been restated.

As discussed in Note 3 to the consolidated financial statements, the Corporation: (1) effective December 31, 2006, began to recognize the funded status of its benefit plans in its consolidated balance sheet to conform to Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R),* and (2) effective December 31, 2005, began to account for the estimated fair value of conditional asset retirement obligations to conform to FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations.*

As discussed in Note 4 to the consolidated financial statements, on November 30, 2006, the Corporation sold a 51% controlling interest in GMAC LLC, its former wholly-owned finance subsidiary. Effective December 1, 2006, the Corporation's remaining 49% interest in GMAC LLC is accounted for as an equity method investment.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Corporation's internal control over financial reporting and an adverse opinion on the effectiveness of the Corporation's internal control over financial reporting.

Deloitte & Touche LLP

Detroit, Michigan
March 14, 2007

Consolidated Statements of Operations

(Dollars in millions except per share amounts) Years Ended December 31,	**2006**	2005	2004
General Motors Corporation and Subsidiaries		(As restated, see Note 2)	(As restated, see Note 2)
Net sales and revenues			
Automotive sales	**$172,927**	$160,228	$163,341
Financial services and insurance revenues	**34,422**	34,427	32,010
Total net sales and revenues	**207,349**	194,655	195,351
Costs and expenses			
Automotive cost of sales	**164,682**	158,887	152,115
Selling, general, and administrative expenses	**25,081**	27,513	25,969
Interest expense	**16,945**	15,607	11,913
Provisions for credit and insurance losses related to financing and insurance operations	**4,071**	3,430	4,315
Other expenses	**4,238**	7,024	1,584
Total costs and expenses	**215,017**	212,461	195,896
Operating loss	**(7,668)**	(17,806)	(545)
Automotive interest income and other non-operating income, net	**2,721**	1,066	1,400
Income (loss) before income taxes, equity income (loss) and minority interests and cumulative effect of a change in accounting principle	**(4,947)**	(16,740)	855
Income tax benefit	**(2,785)**	(5,870)	(1,126)
Equity income (loss) and minority interests, net of tax	**184**	562	720
Income (loss) before cumulative effect of a change in accounting principle	**(1,978)**	(10,308)	2,701
Cumulative effect of a change in accounting principle	**–**	(109)	–
Net income (loss)	**$ (1,978)**	$ (10,417)	$ 2,701
Basic earnings (loss) per share			
Earnings (loss) before cumulative effect of a change in accounting principle	**$ (3.50)**	$ (18.23)	$ 4.78
Cumulative effect of a change in accounting principle	**–**	(0.19)	–
Earnings (loss) per share, basic	**$ (3.50)**	$ (18.42)	$ 4.78
Weighted average common shares outstanding, basic (millions)	**566**	565	565
Diluted earnings (loss) per share			
Earnings (loss) before cumulative effect of a change in accounting principle	**$ (3.50)**	$ (18.23)	$ 4.76
Cumulative effect of a change in accounting principle	**–**	(0.19)	–
Earnings (loss) per share, diluted	**$ (3.50)**	$ (18.42)	$ 4.76
Weighted average common shares outstanding, diluted (millions)	**566**	565	567
Cash dividends per share	**$ 1.00**	$ 2.00	$ 2.00

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

Consolidated Balance Sheets

(Dollars in millions) December 31,	2006	2005
General Motors Corporation and Subsidiaries		(As restated, see Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 23,774	$ 15,187
Marketable securities	138	1,416
Total cash and marketable securities	23,912	16,603
Accounts and notes receivable, net	8,216	5,917
Inventories	13,921	13,862
Equipment on operating leases, net	6,125	6,993
Deferred income taxes and other current assets	11,957	8,982
Total current assets	64,131	52,357
Financing and Insurance Operations Assets		
Cash and cash equivalents	349	15,539
Investments in securities	188	18,310
Finance receivables, net	–	180,849
Loans held for sale	–	21,865
Assets held for sale	–	19,030
Equipment on operating leases, net	11,794	31,194
Equity in net assets of GMAC LLC	7,523	–
Other assets	2,269	25,157
Total Financing and Insurance Operations assets	22,123	311,944
Non-Current Assets		
Equity in net assets of nonconsolidated affiliates	1,969	3,242
Property, net	41,934	38,543
Intangible assets, net	1,118	1,869
Deferred income taxes	32,967	23,761
Prepaid pension	17,366	37,576
Other assets	4,584	4,864
Total non-current assets	99,938	109,855
Total assets	$186,192	$474,156
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable (principally trade)	$ 26,931	$ 26,402
Short-term borrowings and current portion of long-term debt	5,666	1,627
Accrued expenses	35,225	42,697
Total current liabilities	67,822	70,726
Financing and Insurance Operations Liabilities		
Accounts payable	1,214	3,731
Liabilities related to assets held for sale	–	10,941
Debt	9,438	253,508
Other liabilities and deferred income taxes	925	26,325
Total Financing and Insurance Operations liabilities	11,577	294,505
Non-Current Liabilities		
Long-term debt	33,067	32,580
Postretirement benefits other than pensions	50,086	28,990
Pensions	11,934	11,225
Other liabilities and deferred income taxes	15,957	20,430
Total non-current liabilities	111,044	93,225
Total liabilities	190,443	458,456
Commitments and contingencies (Note 20)		
Minority interests	1,190	1,047
Stockholders' Equity (Deficit)		
Preferred stock, no par value, authorized 6,000,000, no shares issued and outstanding	–	–
$1 2/3 par value common stock (2,000,000,000 shares authorized, 756,637,541 and 565,670,254 shares issued and outstanding at December 31, 2006, respectively, and 756,637,541 and 565,518,106 at December 31, 2005, respectively)	943	943
Capital surplus (principally additional paid-in capital)	15,336	15,285
Retained earnings	406	2,960
Accumulated other comprehensive (loss)	(22,126)	(4,535)
Total stockholders' equity (deficit)	(5,441)	14,653
Total liabilities, minority interests, and stockholders' equity (deficit)	$186,192	$474,156

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

Consolidated Statements of Cash Flows

(Dollars in millions) For the Years Ended December 31,	**2006**	2005	2004
General Motors Corporation and Subsidiaries		(As restated, see Note 2)	(As restated, see Note 2)
Cash flows from operating activities			
Net income (loss)	**$ (1,978)**	$(10,417)	$ 2,701
Cumulative effect of a change in accounting principle	**–**	109	–
Adjustments to reconcile income (loss) before cumulative effect of a change in accounting principle to net cash provided by (used in) operating activities:			
Depreciation, impairments, and amortization expense	**10,950**	15,797	14,202
Mortgages: servicing rights and premium amortization	**1,021**	1,142	1,675
Goodwill impairment – GMAC	**828**	712	–
Delphi benefit guarantee	**500**	5,500	–
Loss on sale of 51% interest in GMAC	**2,910**	–	–
Provision for credit financing losses	**1,799**	1,074	1,944
Net gains on sale of credit receivables	**(1,256)**	(1,741)	(1,332)
Net gains on sale of investment securities	**(1,006)**	(104)	(52)
Other postretirement employee benefit (OPEB) expense	**3,582**	5,671	4,558
OPEB payments	**(3,802)**	(4,084)	(3,974)
VEBA/401(h) withdrawals	**3,061**	3,168	(8,618)
Pension expense	**4,928**	2,519	2,456
Pension contributions	**(969)**	(833)	(919)
Retiree lump sum and vehicle voucher expense, net of payments	**(325)**	(264)	(329)
Net change in mortgage loans	**(21,578)**	(29,119)	(2,312)
Net change in mortgage securities	**427**	(1,155)	614
Change in other investments and miscellaneous assets	**(470)**	(685)	104
Changes in assets and liabilities, net of acquisitions and disposals	**(12,608)**	(6,798)	(1,754)
Other	**2,227**	2,652	392
Net cash provided by (used in) operating activities	**(11,759)**	(16,856)	9,356
Cash flows from investing activities			
Expenditures for property	**(7,933)**	(8,179)	(7,753)
Investments in marketable securities, acquisitions	**(25,530)**	(21,800)	(15,278)
Investments in marketable securities, liquidations	**28,549**	22,537	15,911
Net change in mortgage servicing rights	**(61)**	(267)	(326)
Increase in finance receivables	**(1,160)**	(6,582)	(38,673)
Proceeds from sale of finance receivables	**18,374**	31,652	23,385
Proceeds from sale of 51% interest in GMAC	**7,353**	–	–
Proceeds from sale of business units/equity investments	**10,506**	846	–
Operating leases, acquisitions	**(17,070)**	(15,496)	(14,324)
Operating leases, liquidations	**7,039**	5,362	7,696
Investments in companies, net of cash acquired	**(357)**	1,355	(60)
Other	**(15)**	(863)	1,359
Net cash provided by (used in) investing activities	**19,695**	8,565	(28,063)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	**7,033**	(10,126)	2,192
Borrowings of long-term debt	**79,566**	78,276	73,511
Payments made on long-term debt	**(92,290)**	(69,566)	(57,822)
Cash dividends paid to stockholders	**(563)**	(1,134)	(1,129)
Other	**2,487**	6,030	4,723
Net cash provided by (used in) financing activities	**(3,767)**	3,480	21,475
Effect of exchange rate changes on cash and cash equivalents	**365**	(85)	671
Net increase (decrease) in cash and cash equivalents	**4,534**	(4,896)	3,439
Cash and cash equivalents reclassified to assets held for sale	**–**	(371)	–
Cash and cash equivalents retained by GMAC LLC upon disposal	**(11,137)**	–	–
Cash and cash equivalents at beginning of the year	**30,726**	35,993	32,554
Cash and cash equivalents at end of the year	**$ 24,123**	$ 30,726	$ 35,993

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

Consolidated Statements of Stockholders' Equity (Deficit)

For the Years Ended December 31, 2006, 2005 and 2004

General Motors Corporation and Subsidiaries

(Dollars in millions)	Shares of Common Stock	Capital Stock	Capital Surplus	Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
Balance January 1, 2004, as previously reported	562	$937	$15,185		$ 12,387	$ (3,606)	$ 24,903
Prior period adjustments (see Note 2)	–	–	–		552	(579)	(27)
Balance January 1, 2004, as restated	562	$937	$15,185		$ 12,939	(4,185)	$ 24,876
Net income	–	–	–	$ 2,701	2,701	–	2,701
Other comprehensive income (loss):	–						
Foreign currency translation adjustments	–	–	–	1,277	–	–	–
Unrealized gains on derivatives	–	–	–	463	–	–	–
Unrealized gains on securities	–	–	–	202	–	–	–
Minimum pension liability adjustment	–	–	–	(571)	–		–
Other comprehensive income (loss)	–	–	–	1,371	–	1,371	1,371
Comprehensive income (loss)				$ 4,072		–	
Stock options	3	5	56			–	61
Cash dividends paid	–	–	–		(1,129)	–	(1,129)
Balance December 31, 2004, as restated	565	$942	$15,241		$ 14,511	$ (2,814)	$ 27,880
Net (loss)	–	–	–	$(10,417)	(10,417)	–	(10,417)
Other comprehensive income (loss):							
Foreign currency translation adjustments	–	–	–	(929)	–	–	–
Unrealized gains on derivatives	–	–	–	33	–	–	–
Unrealized (loss) on securities	–	–	–	(67)	–	–	–
Minimum pension liability adjustment	–	–	–	(758)	–		–
Other comprehensive income (loss)	–	–	–	(1,721)	–	(1,721)	(1,721)
Comprehensive income (loss)				$(12,138)		–	
Stock options	1	1	44		–	–	45
Cash dividends paid	–	–	–		(1,134)	–	(1,134)
Balance December 31, 2005, as restated	566	$943	$15,285		$ 2,960	$ (4,535)	$ 14,653
Net (loss)	**–**	**–**	**–**	**$ (1,978)**	**(1,978)**	**–**	**(1,978)**
Other comprehensive income (loss):							
Foreign currency translation adjustments	**–**	**–**	**–**	**175**	**–**	**–**	**–**
Unrealized (loss) on derivatives	**–**	**–**	**–**	**(249)**	**–**	**–**	**–**
Unrealized (loss) on securities	**–**	**–**	**–**	**(504)**	**–**	**–**	**–**
Minimum pension liability adjustment	**–**	**–**	**–**	**(67)**	**–**		
Other comprehensive income (loss)	**–**	**–**	**–**	**(645)**		**(645)**	**(645)**
Comprehensive income (loss)				**$ (2,623)**			
Adjustment to initially apply SFAS No. 158, net of income tax	**–**	**–**	**–**		**–**	**(16,946)**	**(16,946)**
Stock options	**–**	**–**	**51**		**–**		**51**
Cumulative effect of a change in accounting principle – adoption of SFAS No. 156, net of tax	**–**	**–**	**–**		**(13)**		**(13)**
Cash dividends paid	**–**	**–**	**–**		**(563)**		**(563)**
Balance December 31, 2006	**566**	**$943**	**$15,336**		**$ 406**	**$(22,126)**	**$ (5,441)**

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

Note 1. Nature of Operations

GM is primarily engaged in the worldwide production and marketing of cars and trucks. GM develops, manufactures, and markets vehicles worldwide through its four regions. GM's four automotive regions consist of GM North America (GMNA), GM Europe (GME), GM Latin America/Africa/Mid-East (GMLAAM), and GM Asia Pacific (GMAP). Also, GM's finance and insurance operations are primarily conducted through GMAC LLC, the successor to General Motors Acceptance Corporation (together with GMAC LLC, GMAC), a wholly-owned subsidiary through November 2006. On November 30, 2006, GM sold a 51% controlling ownership interest in GMAC to a consortium of investors. After the sale, GM has accounted for its 49% ownership interest in GMAC using the equity method. GMAC provides a broad range of financial services, including consumer vehicle financing, automotive dealership and other commercial financing, residential mortgage services, automobile service contracts, personal automobile insurance coverage and selected commercial insurance coverage.

Note 2. Restatement of Previously Issued Consolidated Financial Statements

The accompanying 2005 and 2004 consolidated financial statements have been restated to correct the accounting for certain derivative transactions under Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended (SFAS No. 133); accounting for deferred income taxes under SFAS No. 109, *Accounting for Income Taxes* (SFAS No. 109), and various other accounting adjustments.

The following table sets forth a reconciliation of previously reported and restated net income (loss) and retained earnings as of the dates and for the periods shown (in millions):

	Net Income (Loss)		Retained Earnings at January 1,
	2005	2004	2004
As previously reported	$(10,567)	$2,804	$12,387
Pre-tax adjustments:			
Derivative and hedge accounting adjustments			
Commodity Contracts			
"Normal purchases and normal sales" scope exception for certain commodity contracts	111	65	(4)
Hedge accounting related to commodity cash flow hedges	120	247	25
Foreign Exchange Contracts			
Hedge accounting related to foreign currency cash flow and net investment hedges	114	(209)	(112)
Interest Rate Contracts			
Hedge accounting related to certain debt investments	(256)	(143)	88
Total derivative and hedge accounting adjustments	89	(40)	(3)
Other out-of-period adjustments	118	(272)	(740)
Total pre-tax adjustments	207	(312)	(743)
Tax effects – provision/(benefit)	22	(207)	(153)
Total of above adjustments, net of tax	185	(105)	(590)
Deferred income tax adjustments	(35)	2	1,142
Net after-tax adjustments	150	(103)	552
As restated	$(10,417)	$2,701	$12,939

The following table sets forth a reconciliation of previously reported and restated earnings (loss) per share for the periods shown (in millions):

	2005	2004
Basic earnings (loss) per share:		
Earnings (loss) before cumulative effect of a change in accounting principle, as reported	$(18.50)	$ 4.97
Adjustments	0.27	(0.19)
Earnings (loss) before cumulative effect of a change in accounting principle, as restated	(18.23)	4.78
Cumulative effect of a change in accounting principle	(0.19)	–
Earnings (loss) per share, as restated	$(18.42)	$ 4.78
Diluted earnings (loss) per share:		
Earnings (loss) before cumulative effect of a change in accounting principle, as reported	$(18.50)	$ 4.94
Adjustments	0.27	(0.18)
Earnings (loss) before cumulative effect of a change in accounting principle, as restated	(18.23)	4.76
Cumulative effect of a change in accounting principle	(0.19)	–
Earnings (loss) per share, as restated	$(18.42)	$ 4.76

These restatement adjustments and revisions are further described below:

DERIVATIVES AND HEDGE ACCOUNTING ADJUSTMENTS

Commodity Contracts – In reviewing the accounting for certain commodity purchase contracts, GM determined that it had incorrectly concluded that the "normal purchases and normal sales" scope exception in paragraph 10(b) of SFAS No. 133 applied. Therefore, these commodity purchase contracts should have been accounted for as derivatives. The financial statements have been restated to record the fair value of these purchase contracts in the 2005 consolidated balance sheet and record the changes in the fair value of the commodity contracts as charges or credits in the consolidated statements of operations. This adjustment resulted in recording derivative assets and liabilities of $178.8 million and $7.1 million, respectively, at December 31, 2005. Additionally, pre-tax earnings were increased, through a reduction of Automotive cost of sales, by $111.4 million ($72.4 million after tax) and $64.7 million ($42.0 million after tax) in 2005 and 2004, respectively.

Additionally, GM entered into various commodity derivatives contracts, including swaps and options, to hedge its forecasted purchases of precious and non-ferrous metals and energy. These commodity derivatives were designated as cash flow hedges. Under SFAS No. 133, hedge accounting is appropriate only for those hedging relationships that a company expects will be highly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged. To determine whether transactions satisfy these requirements, companies must periodically assess and document the effectiveness of their hedging relationships both retrospectively and prospectively and measure and recognize any ineffectiveness. For certain commodity cash flow hedges, GM inappropriately applied the "matched terms" method of assessing hedge effectiveness as outlined in paragraph 65 of SFAS No. 133 by not considering in its assessment certain terms of the underlying commodity contracts that created ineffectiveness in the cash flow hedging relationship. In addition, for other commodity cash flow hedges, GM did not properly document the hedging relationship or properly perform the periodic retrospective assessment of effectiveness necessary to qualify for hedge accounting or properly measure hedge ineffectiveness, and did not properly reclassify amounts from Other Comprehensive Income (OCI) when the underlying hedged forecasted transaction affected earnings. Accordingly, the commodity derivatives should have been marked-to-market with gains and losses recorded in cost of sales. Changes in the fair value of the commodity derivatives that had been recorded in OCI as part of these cash flow hedging relationships were reversed and recorded in Automotive cost of sales. Pre-tax earnings were increased, through a reduction of Automotive cost of sales, by $119.5 million ($77.6 million after tax) and $246.6 million ($160.3 million after tax) in 2005 and 2004, respectively.

Note 2. Restatement of Previously Issued Consolidated Financial Statements *(continued)*

Foreign Exchange Contracts – GM enters into foreign currency forward contracts and cross-currency swaps to hedge foreign-currency-denominated debt and forecasted transactions. GM also designates foreign-currency-denominated debt as hedges of net investments in foreign operations.

GM concluded that it did not properly apply the "matched terms" method of assessing hedge effectiveness as outlined in paragraph 65 of SFAS No. 133, inadequately measured hedging effectiveness, and lacked contemporaneous hedge documentation and, therefore, incorrectly applied hedge accounting to certain cash flow hedges and net investment hedges. The changes in fair value of certain derivatives used in cash flow hedging relationships and amounts related to a net investment hedge previously recorded in OCI were released from OCI and recorded in Automotive cost of sales. Pre-tax earnings were increased by $38.8 million ($25.2 million after tax) in 2005 and decreased by $86.9 million ($56.5 million after tax) in 2004.

In addition, GM determined it incorrectly applied cash flow hedge accounting treatment to one of two concurrent offsetting derivatives by accounting for the two derivatives separately instead of treating them as one combined arrangement in accordance with SFAS No. 133, *Implementation Issue F6, Concurrent Offsetting Matching Swaps and Use of One as Hedging Instrument,* and SFAS No. 133, *Implementation Issue K1, Determining Whether Separate Transactions Should Be Viewed as a Unit*. The changes in fair value of the derivatives used in this hedging strategy previously accounted for as cash flow hedges were released from OCI and recorded in Automotive cost of sales. Pre-tax earnings were increased by $75.3 million ($48.9 million after tax) in 2005 and decreased by $121.7 million ($79.1 million after tax) in 2004.

Interest Rate Contracts – GMAC determined that its hedge accounting documentation and hedge effectiveness assessment methodologies did not meet the requirements of paragraph 20(b) of SFAS No. 133 for certain hedges of callable fixed rate debt instruments. Under SFAS No. 133, hedge accounting is appropriate only for those hedging relationships that a company has sufficiently documented an expectation that such relationship will be highly effective in achieving offsetting changes in fair values attributable to the risk being hedged at the inception of the hedging relationship. To determine whether transactions satisfy these requirements, a company must periodically assess the effectiveness of its hedging relationships both prospectively and retrospectively. After review, GMAC determined that the interest rate derivatives did not qualify for hedge accounting. Accordingly, hedge accounting should not have been applied to any of the hedging relationships in this strategy and therefore, market value adjustments on the debt instruments included in the hedging relationships related to changes in fair value due to movements in the designated benchmark interest rate should not have been recorded. Changes in the fair value of the debt instruments recorded in earnings under these fair value hedge relationships were reversed. Pre-tax earnings were decreased, through an increase to interest expense, by $256 million ($157.2 million after tax) and $143 million ($87.8 million after tax) in 2005 and 2004, respectively.

The net effect of all derivative and hedge accounting adjustments decreased retained earnings at January 1, 2004 by $4.6 million.

DEFERRED INCOME TAX ADJUSTMENTS

As a result of a comprehensive deferred tax account reconciliation that was performed in 2006, GM determined that deferred income tax liabilities were overstated and net income was understated by approximately $1.1 billion, principally the result of duplicate or incorrect recording of deferred income tax expense related to temporary differences, primarily arising in years prior to 2002. These adjustments increased net loss in 2005 by $35.2 million, increased net income in 2004 by $1.6 million, and increased retained earnings at January 1, 2004 by approximately $1.1 billion.

In addition, we inappropriately provided deferred income taxes on translation adjustments for certain non-US subsidiaries, which resulted in an overstatement of deferred tax assets and OCI of $423 million, $74 million and $680 million as of December 31, 2005, December 31, 2004, and January 1, 2004, respectively.

OTHER OUT-OF-PERIOD ADJUSTMENTS

Subsequent to the completion of our previously filed consolidated financial statements for each period being restated, we identified adjustments that should have been recorded in these earlier periods (out-of-period adjustments). Upon identification, we determined these adjustments to be immaterial, individually and in the aggregate, to our previously filed consolidated financial statements, and recorded these adjustments in the periods in which they were identified. Due to the adjustments, as discussed above, that required a restatement of our previously filed consolidated financial statements, we are also correcting these out-of-period adjustments by recording them in the proper periods.

The out-of-period adjustments in the table above include the following:

Unemployment benefit payments: Subsequent to December 31, 2005 but prior to the issuance of our 2005 consolidated financial statements, we were notified by the German Labor Office that we were released from certain contingent unemployment benefit payment obligations previously recorded. As part of our restatement, pre-tax earnings were increased, through a reduction of Automotive cost of sales, by $50.2 million ($31.1 million after tax) in 2005.

Automotive revenue recognition: We recorded an adjustment to correct deferred revenue related to data disks provided to customers to update their vehicle's navigational system. We did not compute deferred revenue using fair value as determined by vendor specific objective evidence as required by EITF 00-21, *Revenue Arrangements with Multiple Deliverables.* Additionally, we did not defer revenue on the correct number of 2006 models year vehicles containing navigation systems. As part of our restatement, pre-tax earnings were decreased, through a reduction of Automotive sales, by $33.1 million ($21.5 million after tax) in 2005.

In addition, we incorrectly recognized revenue for our sponsorship of the GM Card program, which offers rebates that can be applied primarily against the purchase or lease of GM vehicles. We corrected this accounting by deferring and recognizing additional revenue over the average utilization period of points earned by retail customers. As part of our restatement, pre-tax earnings were increased, through an increase to Automotive sales, by $42.3 million ($27.5 million after tax) and $19.7 million ($12.8 million after tax) in 2005 and 2004, respectively, and retained earnings was decreased at January 1, 2004 by $147 million.

Impairment of long-lived assets: We incorrectly determined impairment charges associated with a plant closing. As part of our restatement, pre-tax earnings were decreased, through an increase to Automotive cost of sales, by $24.2 million ($15.9 million after tax) and $42.8 million ($27.8 million after tax) in 2005 and 2004, respectively, and retained earnings was decreased at January 1, 2004 by $4.0 million.

Cooperative advertising program: Under our cooperative advertising program with our dealers, we are obligated to match a portion of the funds contributed by our dealers for advertising. We recorded an adjustment to correctly reflect the timing of our obligation under this arrangement. Previously, our matching portion of the advertising costs was expensed as incurred. As part of our restatement, pre-tax earnings were decreased, through an increase to Selling, general, and administrative expenses, by $5.7 million ($3.7 million after tax) and pre-tax earnings were increased, through a decrease to Selling, general, and administrative expenses, by $11.4 million ($7.4 million after tax) in 2005 and 2004, respectively, and retained earnings at January 1, 2004 was decreased by $46.6 million.

Note 2. Restatement of Previously Issued Consolidated Financial Statements *(continued)*

Environmental operation and maintenance: We recorded an adjustment to properly reflect our obligation for ongoing operation and maintenance costs for certain environmental sites. As part of our restatement, pre-tax earnings were decreased, through an increase to Automotive cost of sales, by $1.4 million ($0.9 million after tax) and $4.9 million ($3.2 million after tax) in 2005 and 2004, respectively, and retained earnings at January 1, 2004 was decreased by $32.2 million.

Available-for-sale securities: We incorrectly recorded the foreign exchange component of the changes in the market value of foreign-currency-denominated available-for-sale debt securities in earnings rather than OCI. As part of our restatement, pre-tax earnings were increased, through a decrease to Automotive cost of sales, by $158 million ($102.7 million after tax) in 2005, pre-tax earnings were decreased, through an increase to Automotive cost of sales, by $107.1 million ($69.6 million after tax) in 2004 and retained earnings at January 1, 2004 decreased by $33.1 million.

LIFO inventory reserve: We recorded an adjustment to properly include certain inventories in our LIFO inventory reserve. As part of our restatement, pre-tax earnings were decreased, through an increase to Automotive cost of sales, by $9.2 million ($6 million after tax) and $22.5 million ($14.6 million after tax) in 2005 and 2004, respectively, and retained earnings at January 1, 2004, was decreased by approximately $1.5 million.

Development costs: We recorded an adjustment to correctly expense supplier development costs. As part of our restatement, pre-tax and after-tax earnings were increased, through a reduction of Automotive cost of sales, by $14.4 million in both 2005 and 2004, and retained earnings at January 1, 2004 was decreased by $85.5 million.

Inventory: We recorded an adjustment to correct Automotive cost of sales associated with inventory errors identified at one of our international subsidiaries. As part of our restatement, retained earnings at January 1, 2004 was decreased by $37.7 million.

In addition to the items listed above, we also recorded other less significant out-of-period pre-tax and income tax adjustments, the net effect of which decreased pre-tax earnings by $73.3 million and decreased after-tax earnings by $9.4 million in 2005, decreased pre-tax earnings by $140.2 million and decreased after-tax earnings by $2.9 million in 2004, and decreased retained earnings at January 1, 2004 by $198.3 million.

The restatement also included an adjustment to comply with EITF 00-10, *Accounting for Shipping and Handling Fees and Costs,* related to shipping and handling costs incurred to transport product to customers. The correction for this reclassification increased Automotive sales and Automotive cost of sales by $3.6 billion in both 2005 and 2004. This correction did not affect net income (loss) or earnings (loss) per share.

The following is a summary of the effect of the restatement on the originally issued Consolidated Statements of Operations, Consolidated Balance Sheets and Consolidated Statements of Cash Flows.

Consolidated Statements of Operations

	For the Years Ended December 31,			
	2005		2004	
(Dollars in millions)	Previously Reported	Restated	Previously Reported	Restated
Net sales and revenues				
Automotive sales	$156,801	$160,228	$159,937	$163,341
Financial services and insurance revenues	34,383	34,427	31,972	32,010
Total net sales and revenues	191,184	194,655	191,909	195,351
Costs and expenses				
Automotive cost of sales	155,863	158,887	148,642	152,115
Selling, general and administrative expenses	27,440	27,513	25,810	25,969
Interest expense	15,768	15,607	11,980	11,913
Provisions for credit and insurance losses related to financing and insurance operations	3,440	3,430	4,315	4,315
Other expenses	7,024	7,024	1,584	1,584
Total costs and expenses	209,535	212,461	192,331	195,896
Operating (loss)	(18,351)	(17,806)	(422)	(545)
Automotive interest income and other non-operating income, net	$ 1,420	$ 1,066	$ 1,608	$ 1,400
Income (loss) before income taxes, equity income (loss) and minority interests and cumulative effect of a change in accounting principle	(16,931)	(16,740)	1,186	855
Income tax (benefit)	(5,878)	(5,870)	(916)	(1,126)
Equity income (loss) and minority interests, net of tax	595	562	702	720
Income (loss) before cumulative effect of a change in accounting principle	(10,458)	(10,308)	2,804	2,701
Cumulative effect of a change in accounting principle	(109)	(109)	–	–
Net income (loss)	$ (10,567)	$ (10,417)	$ 2,804	$ 2,701

Note 2. Restatement of Previously Issued Consolidated Financial Statements *(continued)*

Consolidated Balance Sheets

(Dollars in millions)	December 31, 2005 Previously Reported	December 31, 2005 Restated
ASSETS		
Current Assets		
Cash and cash equivalents	$ 15,187	$ 15,187
Marketable securities	1,416	1,416
Total cash and marketable securities	16,603	16,603
Accounts and notes receivable, net	7,758	5,917
Inventories	13,851	13,862
Equipment on operating leases, net	6,993	6,993
Deferred income taxes and other current assets	8,877	8,982
Total current assets	54,082	52,357
Financing and Insurance Operations Assets		
Cash and cash equivalents	15,539	15,539
Investments in securities	18,310	18,310
Finance receivables, net	180,793	180,849
Loans held for sale	21,865	21,865
Assets held for sale	19,030	19,030
Equipment on operating leases, net	31,194	31,194
Other assets	27,694	25,157
Total Financing and Insurance Operations assets	314,425	311,944
Non-Current Assets		
Equity in net assets of nonconsolidated affiliates	3,291	3,242
Property, net	38,466	38,543
Intangible assets, net	1,862	1,869
Deferred income taxes	22,849	23,761
Prepaid pension	37,690	37,576
Other assets	3,413	4,864
Total non-current assets	107,571	109,855
Total Assets	$476,078	$474,156

(Dollars in millions)	December 31, 2005 Previously Reported	December 31, 2005 Restated
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable (principally trade)	$ 26,182	$ 26,402
Short-term borrowings and current portion of long-term debt	1,519	1,627
Accrued expenses	42,665	42,697
Total current liabilities	70,366	70,726
Finance and Insurance Operations Liabilities		
Accounts payable	3,731	3,731
Liabilities related to assets held for sale	10,941	10,941
Debt	253,217	253,508
Other liabilities and deferred income taxes	28,946	26,325
Total Financing and Insurance Operations liabilities	296,835	294,505
Non-Current Liabilities		
Long-term debt	31,014	32,580
Postretirement benefits other than pensions	28,990	28,990
Pensions	11,214	11,225
Other liabilities and deferred income taxes	22,023	20,430
Total non-current liabilities	93,241	93,225
Total liabilities	460,442	458,456
Commitments and contingencies (Note 20)		
Minority interests	1,039	1,047
Stockholders' Equity		
Preferred stock, no par value, authorized 6,000,000, no shares issued and outstanding	–	–
$1 2/3 par value common stock (2,000,000,000 shares authorized, 756,637,541 and 565,518,106 shares issued and outstanding, respectively, at December 31, 2005)	943	943
Capital surplus (principally additional paid-in capital)	15,285	15,285
Retained earnings	2,361	2,960
Accumulated other comprehensive (loss)	(3,992)	(4,535)
Total stockholders' equity	14,597	14,653
Total liabilities, minority interest, and stockholders' equity	$476,078	$474,156

Note 2. Restatement of Previously Issued Consolidated Financial Statements *(concluded)*

Consolidated Statements of Cash Flows

	For the Years Ended December 31,			
	2005		2004	
(Dollars in millions)	Previously Reported	Restated	Previously Reported	Restated
Cash flows from operating activities				
Net income (loss)	$(10,458)	$(10,417)	$ 2,804	$ 2,701
Cumulative effect of a change in accounting principle	–	109	–	–
Adjustments to reconcile income (loss) before cumulative effect of a change in accounting principle to net cash provided by (used in) operating activities:				
Depreciation, impairment, and amortization expense	15,769	15,797	14,152	14,202
Mortgage servicing rights and premium amortization	1,142	1,142	1,675	1,675
Goodwill impairment	712	712	–	–
Delphi benefit guarantee	5,500	5,500	–	–
Provision for credit financing losses	1,085	1,074	1,944	1,944
Net gains on sale of finance receivables	(1,695)	(1,741)	(1,312)	(1,332)
Net gains on sale of investment securities	(104)	(104)	(52)	(52)
Other postretirement employee benefit (OPEB) expense	5,671	5,671	4,558	4,558
OPEB payments	(4,084)	(4,084)	(3,974)	(3,974)
VEBA/401(h) withdrawals	3,168	3,168	(8,618)	(8,618)
Pension expense	2,496	2,519	2,456	2,456
Pension contributions	(833)	(833)	(919)	(919)
Retiree lump sum and vehicle voucher expense, net of payments	(264)	(264)	(329)	(329)
Net change in mortgage loans	(29,119)	(29,119)	(2,312)	(2,312)
Net change in mortgage securities	(1,155)	(1,155)	614	614
Change in other investments and miscellaneous assets	(653)	(685)	83	104
Changes in assets and liabilities, net of acquisitions and disposals	(6,683)	(6,798)	(1,644)	(1,754)
Other	2,649	2,652	230	392
Net cash provided by (used in) operating activities	(16,856)	(16,856)	9,356	9,356
Cash flows from investing activities				
Expenditures for property	(8,179)	(8,179)	(7,753)	(7,753)
Investments in marketable securities, acquisitions	(21,800)	(21,800)	(15,278)	(15,278)
Investments in marketable securities, liquidations	22,537	22,537	15,911	15,911
Net change in mortgage servicing rights	(267)	(267)	(326)	(326)
Increase in finance receivables	(6,582)	(6,582)	(38,673)	(38,673)
Proceeds from sale of finance receivables	31,652	31,652	23,385	23,385
Proceeds from sale of business units/equity investments	846	846	–	–
Operating leases, acquisitions	(15,496)	(15,496)	(14,324)	(14,324)
Operating leases, liquidations	5,362	5,362	7,696	7,696
Investments in companies, net of cash acquired	1,355	1,355	(60)	(60)
Other	(863)	(863)	1,359	1,359
Net cash provided by (used in) investing activities	8,565	8,565	(28,063)	(28,063)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	(10,126)	(10,126)	2,192	2,192
Borrowings of long-term debt	78,276	78,276	73,511	73,511
Payments made on long-term debt	(69,566)	(69,566)	(57,822)	(57,822)
Cash dividends paid to stockholders	(1,134)	(1,134)	(1,129)	(1,129)
Other	6,030	6,030	4,723	4,723
Net cash provided by (used in) financing activities	3,480	3,480	21,475	21,475
Effect of exchange rate changes on cash and cash equivalents	(85)	(85)	671	671
Net increase (decrease) in cash and cash equivalents	(4,896)	(4,896)	3,439	3,439
Cash and cash equivalents reclassified to assets held for sale	(371)	(371)	–	–
Cash and cash equivalents at beginning of the year	35,993	35,993	32,554	32,554
Cash and cash equivalents at end of the year	$ 30,726	$ 30,726	$ 35,993	$ 35,993

Note 3. Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION AND FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of General Motors Corporation and its subsidiaries that are more than 50% owned. In addition, in accordance with Financial Accounting Standards Board (FASB) Interpretation No. 46(R), "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" (FIN 46(R)), GM consolidates variable interest entities (VIEs) for which it is deemed to be the primary beneficiary. GM's share of earnings or losses of investees is included in the consolidated operating results using the equity method of accounting, when GM is able to exercise significant influence over the operating and financial decisions of the investee. If GM is not able to exercise significant influence over the operating and financial decisions of the investee, the cost method of accounting is used. All intercompany balances and transactions have been eliminated in consolidation.

Transactions between segments have been eliminated. These transactions consist principally of borrowings and other financial services provided by our FIO business to our Automotive business. A master intercompany agreement was in effect until November 30, 2006 which governed the nature of these transactions to ensure that they were done in accordance with commercially reasonable standards.

USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of GM are prepared in conformity with accounting principles generally accepted in the United States, which require 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. Management believes that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

REVENUE RECOGNITION

Automotive sales consist primarily of revenue generated from the sale of vehicles. Vehicle sales are recorded when the title and risks and rewards of ownership have passed, which is generally when the vehicle is released to the carrier responsible for transporting vehicles to dealers. Provisions for dealer and customer sales and leasing incentives, consisting of allowances and rebates, are recorded as reductions to automotive sales at the time of vehicle sales. Incentives, allowances, and rebates related to vehicles previously sold are recognized as reductions to automotive sales when announced.

Vehicle sales to daily rental car companies with guaranteed repurchase obligations are accounted for as equipment on operating leases. Lease revenue is recognized ratably over the term of the lease based on the difference between net sales proceeds and the guaranteed repurchase amount. The equipment on operating lease is depreciated based on the difference between the cost of the vehicle and estimated residual value using the straight-line method over the term of the lease agreement. Management reviews residual values periodically to determine that estimates remain appropriate, and if an asset is impaired losses are recognized at the time of the impairment.

GM also generates revenue from customer subscriptions related to the offering of services on comprehensive in-vehicle security, communications, and diagnostic systems in its vehicles, as well as the sale of prepaid minutes for its Hands-Free Calling (HFC) system. Subscription service revenue is deferred and recognized on a straight-line basis over the subscription period. OnStar offers a one-year free subscription as part of the sale or lease of a new GM vehicle. The fair value of the subscription is recorded as deferred revenue when a vehicle is sold, and amortized over the one year subscription period. The HFC revenue is deferred and recognized on a straight-line basis over the life of the contract.

Financial services revenues are generated through the purchase of retail installment loans, dealer floor plan financing and other lines of credit to dealers, fleet leasing, and factoring of receivables. Financing revenue is recorded over the terms of the receivables using the interest method. Income from operating lease assets is recognized on a straight-line basis over the scheduled lease terms.

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

Mortgage service revenues are generated through the origination, purchase, servicing, sale and securitization of consumer (i.e., residential) and commercial mortgage loans, and other mortgage related products. Typically, mortgage loans are originated and sold to investors in the secondary market, including securitization sales.

ADVERTISING

Advertising expenses, which amounted to $5.4 billion in 2006, $5.8 billion in 2005, and $5.2 billion in 2004, are expensed as incurred.

RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development, and other product-related costs of $6.6 billion, $6.7 billion, and $6.5 billion for 2006, 2005, and 2004, respectively, are charged to expense as incurred.

DEPRECIATION AND AMORTIZATION

Expenditures for special tools placed in service after January 1, 2002 were capitalized and amortized using the straight-line method over their estimated useful lives which range from one year to 12 years. Expenditures for special tools placed in service prior to January 1, 2002, are capitalized and amortized over their estimated useful lives, using the units of production method. Also as of January 1, 2001 GM adopted the straight-line method of depreciation for real estate, plants, and equipment placed in service after that date. Assets placed in service before January 1, 2001 continue to be depreciated using accelerated methods. The accelerated methods accumulate depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives of property groups as compared to the straight-line method, which allocates depreciable costs equally over the estimated useful lives of property groups. Management believes the adoption of the straight-line amortization or depreciation method for special tools placed into service after January 1, 2002, and real estate, plants, and equipment placed into service after January 1, 2001 better reflects the consistent use of these assets over their useful lives.

GOODWILL AND OTHER INTANGIBLES

Goodwill and other intangible assets, net of accumulated amortization, are reported in other assets. Goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", goodwill is reviewed for impairment utilizing a two-step process. The first step of the impairment test requires the identification of the reporting units, and comparison of the fair value of each of these reporting units to the respective carrying value. The fair value of the reporting units is determined based on valuation techniques using the best information that is available, such as discounted cash flow projections. If the carrying value is less than the fair value, no impairment exists and the second step is not performed. If the carrying value is higher than the fair value, there is an indication that impairment may exist and the second step must be performed to compute the amount of the impairment. In the second step, the impairment is computed by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. SFAS No. 142 requires goodwill to be tested for impairment annually at the same time every year, and when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist. The annual impairment tests are performed in the fourth quarter of each year.

Note 3. Significant Accounting Policies *(continued)*

Other intangible assets, which include customer lists, trademarks, and other identifiable intangible assets, are amortized on a straight-line basis over estimated useful lives of three to 10 years.

VALUATION OF LONG-LIVED ASSETS

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

EQUIPMENT ON OPERATING LEASES, NET

Equipment on operating leases is reported at cost, less accumulated depreciation and net of origination fees or costs. Income from operating lease assets, which includes lease origination fees, net of lease origination costs, is recognized as operating lease revenue on a straight-line basis over the scheduled lease term. Depreciation of vehicles is generally provided on a straight-line basis to an estimated residual value over a period of time, consistent with the term of the underlying operating lease agreement. We evaluate our depreciation policy for leased vehicles on a regular basis.

We have significant investments in vehicles in our operating lease portfolio and are exposed to changes in the residual values of those assets. The residual values represent an estimate of the values of the assets at the end of the lease contracts and are determined by consulting an independently published residual value guide. Realization of the residual values is dependent on our future ability to market the vehicles under the prevailing market conditions. Over the life of the lease, we evaluate the adequacy of our estimate of the residual value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. For operating leases arising from vehicle sales to daily rental car companies, the adjustment may be in the form of revisions to the depreciation rate or recognition of an impairment loss. Impairment is determined to exist if the undiscounted expected future cash flows are lower than the carrying value of the asset. For operating leases arising from vehicles sold to dealers, the adjustment is made to the estimate of marketing incentive accruals for residual support programs initially recognized when vehicles are sold to dealers (see Note 28. Transactions with GMAC – Marketing Incentives and Operating Lease Residuals). When a lease vehicle is returned to us, the asset is reclassified from investment in operating leases to inventory at the lower of cost or estimated fair value, less costs to sell.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

The assets and liabilities of GM's foreign subsidiaries, using the local currency as their functional currency, are translated to US dollars based on the current exchange rate prevailing at each balance sheet date and any resulting translation adjustments are included in accumulated other comprehensive income (loss).

Included in net income (loss) are the gains and losses arising from foreign currency transactions. GM's revenues and expenses are translated into U.S. dollars using the average exchange rates prevailing for each period presented. The impact on net income (loss) of foreign currency transactions including the results of our foreign currency hedging activities, amounted to a gain of $296 million, a loss of $118 million, and a loss of $22 million in 2006, 2005, and 2004, respectively.

POLICY AND WARRANTY

Provisions for estimated expenses related to policy and product warranties are made at the time products are sold. These estimates are established using historical information on the nature, frequency, and average cost of claims. Revision to the reserves for estimated policy and product warranties is made when necessary, based on changes in these factors. Management actively studies trends of claims and takes action to improve vehicle quality and minimize claims.

RECALL CAMPAIGNS

Provisions for estimated expenses related to product recalls (based on a formal campaign soliciting return of that product) are made when they are deemed to be probable and reasonably estimable upon approval of the recall campaign by management.

ENVIRONMENTAL COSTS

GM records a liability for environmental cleanup costs when it is both probable and reasonably estimable. For environmental sites where there are potentially multiple responsible parties, GM records a liability for the allocable share of the costs related to its involvement with the site, as well as an allocable share of costs related to insolvent parties or unidentified shares. For environmental sites where GM is the only potentially responsible party, GM records a liability for the total estimated costs of remediation before consideration of recovery from insurers or other third parties.

GM has an established process to develop its environmental reserve. This process consists of a number of phases which begins with the visual site inspections and an examination of historical site records. Once a potential problem has been identified, physical sampling of the site may include analysis of ground water and soil borings. The evidence obtained is then evaluated and based upon this evaluation, a remediation strategy is submitted for approval. The final phase of this process involves the commencement of remediation activities according to the approved plan. This process is used globally for all such sites.

Included in the estimated environmental liabilities are costs for ongoing operating, maintenance, and monitoring at environmental sites where remediation has been put in place. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information developed in subsequent periods. This liability is determined based upon historical experience and discounted using a risk-free rate of return over the periods in which the ongoing maintenance is expected to occur, generally five to 30 years.

POSTEMPLOYMENT BENEFITS

Costs to idle, consolidate, or close facilities and provide postemployment benefits to employees on an other than temporary basis are accrued based on management's best estimate of the wage and benefits costs that will be incurred for qualified employees under the JOBS bank provisions of the current labor agreement through the date of its expiration in September 2007, plus estimated costs expected to be paid after consideration of changes that GM intends to negotiate into the JOBS program after the expiration of the current collective bargaining agreement. The accrual established in 2005 related to GMNA's restructuring plan assumed a 45% and 9% projected level of acceptance of normal and early retirement offers, respectively, made pursuant to the current labor agreement. The estimates of acceptance were based on GM's historical experience of offering such programs. Costs related to the idling of employees that are expected to be temporary are expensed as incurred. Costs to terminate a contract without economic benefit to GM are expensed at the time the contract is terminated. One-time termination benefits that are not subject to contractual arrangements provided to employees who are involuntarily terminated are recorded when management commits to a detailed plan of termination, that plan is communicated to employees, and actions required to complete the plan indicate that significant changes to the plan are not likely. If employees are required to render service until they are terminated in order to earn the termination benefit, the benefits are recognized ratably over the future service period.

Note 3. Significant Accounting Policies *(continued)*

CASH EQUIVALENTS

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

MARKETABLE SECURITIES

Marketable securities are classified as available-for-sale, except for certain mortgage-related securities, which are classified as held-to-maturity or trading securities. Available-for-sale securities are recorded at fair value with unrealized gains and losses reported, net of related income taxes, in other comprehensive income (loss) until realized. Trading securities are recorded at fair value with unrealized gains and losses recorded currently in earnings. Held-to-maturity securities are recorded at amortized cost. GM determines realized gains and losses using the specific identification method.

DERIVATIVE INSTRUMENTS

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

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

ACCOUNTING FOR INCOME TAXES

GM uses the liability method in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements, using the statutory tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

GM recognizes accrued interest related to unrecognized tax benefits and penalties in interest expense. The amount of interest and penalties recognized was immaterial for all periods presented.

ACCOUNTING FOR OTHER EARLY RETIREMENT PROGRAMS

GM offers an early retirement program to certain employees located in the GME region which allows these employees to early transition from employment into retirement before their legal retirement age. Eligible employees who elect to participate in this pre-retirement leave program work full time during half of the pre-retirement period (the active period) and then do not work for the remaining half, the inactive period, and receive 50% of their salary during this pre-retirement period. These employees also receive an annual bonus equal to approximately 35% of their net pay at the beginning of the pre-retirement period. Additionally, GM is required to make contributions into the German government pension program for participants during the pre-retirement period. Under these programs, companies are entitled to a government subsidy if certain conditions are met. GM has not been entitled to any program subsidy.

On January 1, 2006, GM adopted EITF 05-5, "Accounting for Early Retirement or Postemployment Programs with Specific Features," which states that the bonus and contributions made into the German government pension program should be accounted for under the guidance in SFAS No. 112, "Employers' Accounting for Postemployment Benefit Costs" and the government subsidy should be recognized when a company meets the necessary conditions to be entitled to the subsidy. As clarified in EITF 05-5, beginning in 2006, GM recognized the bonus and additional contributions (collectively, additional compensation) into the German government pension plan over the period from which the employee signed the program contract until the end of the active service period. Prior to 2006, GM recognized the full additional compensation one-year before the employee entered the active service period. The change, reported as a change in accounting estimate effected by a change in accounting principle, resulted in additional compensation expense of $68 million in 2006.

ACCOUNTING FOR EXTENDED DISABILITY BENEFITS

GM accrues for estimated disability pay ratably over the employees' active service period using the delayed recognition provisions prescribed by SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," prior to December 31, 2006. As discussed in Note 19, at December 31, 2006, GM adopted the recognition provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," an amendment of FASB Statements No. 87, 88, 106 and 132(R). The liability consists of the future obligations for income replacement, health-care costs and life insurance premiums for employees currently disabled and those in the active workforce who may become disabled. GM estimates future disabilities in the current workforce using actuarial methods based on sufficient historical experience.

LABOR FORCE

GM, on a worldwide basis, has a concentration of its labor supply in employees working under union collective bargaining agreements. The current International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) labor contract is effective for a four-year term which began in October 2003 and expires in September 2007. The contract included a $3,000 lump sum payment for each UAW employee which was paid in October 2003, and a 3% performance bonus for each UAW employee, which was paid in October 2004. GM amortized these payments over the 12-month period following the respective payment dates. UAW employees received a gross wage increase of 2% in 2005. For 2006, these employees were also granted a 3% gross wage increase under the labor contract, which was subsequently agreed between GM and the UAW, to be contributed to a Mitigation VEBA as a wage deferral, in connection with the UAW Healthcare Settlement Agreement. Refer to Note 19. Active UAW employees were also granted pension benefit increases. There were no pension benefit increases granted to current retirees and surviving spouses. However, the contract does provide for four lump sum payments and two vehicle discount vouchers for current retirees and surviving spouses.

CHANGES IN ACCOUNTING PRINCIPLES

ACCOUNTING FOR SERVICING OF FINANCIAL ASSETS

On January 1, 2006, GM adopted SFAS No. 156, "Accounting for Servicing of Financial Assets," which (1) provides revised guidance on when a servicing asset and servicing liability should be recognized, (2) requires all separately recognized servicing assets and liabilities to be initially measured at fair value, if practicable, (3) permits an entity to elect to measure servicing assets and liabilities at fair value each reporting date and report changes in fair value in earnings in the period in which the changes occur, (4) provides that upon initial adoption, a one-time reclassification of available-for-sale securities to trading securities for securities which are identified as offsetting an entity's exposure to changes

Note 3. Significant Accounting Policies *(continued)*

in the fair value of servicing assets or liabilities that a servicer elects to subsequently measure at fair value, and (5) requires separate presentation of servicing assets and liabilities subsequently measured at fair value in the balance sheet and additional disclosures. GM recorded a reduction to retained earnings as of January 1, 2006 of $13 million as a cumulative effect of a change in accounting principle for the adoption of SFAS No. 156.

ACCOUNTING FOR CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Effective December 31, 2005, GM adopted Financial Accounting Standards Board (FASB) Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," (FIN 47). FIN 47 relates to legal obligations associated with retirement of tangible long-lived assets that result from acquisition, construction, development, or normal operation of a long-lived asset. GM performed an analysis of such obligations associated with all real property owned or leased, including plants, warehouses, and offices. GM's estimates of conditional asset retirement obligations relate, in the case of owned properties, to costs estimated to be necessary for the legally required removal or remediation of various regulated materials, primarily asbestos. Asbestos abatement was estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable. For leased properties, such obligations relate to the estimated cost of contractually required property restoration. Refer to Note 20. The application of FIN 47 resulted in a charge of $109 million, after-tax, in 2005 presented as a cumulative effect of a change in accounting principle. The liability for conditional asset retirement obligations at December 31, 2006 and 2005 was $193 million and $181 million, respectively. Pro forma amounts, as if FIN 47 had been applied for 2005 and 2004 are as follows:

(Dollars in millions except per share amounts)	2005	2004
Net income (loss) as restated	$(10,417)	$2,701
Add: FIN 47 cumulative effect, net of tax	109	–
Less: FIN 47 depreciation and accretion expense, net of tax	(16)	(14)
Pro forma net income (loss)	$(10,324)	$2,687
Earnings (loss) per share		
Basic: As restated	$ (18.42)	$ 4.78
Pro forma	$ (18.26)	$ 4.76
Diluted: As restated	$ (18.42)	$ 4.76
Pro forma	$ (18.26)	$ 4.74
Pro forma asset retirement obligation – net, as of year-end	$ 181	$ 159

Asset retirement obligations are included in other long-term liabilities on the consolidated balance sheets. The following table reconciles our asset retirement obligations as of December 31, 2006 and 2005:

(Dollars in millions)	**2006**	2005
Asset retirement obligations as of January 1	**$181**	$ –
Accretion expense	**18**	–
Liabilities incurred, including adoption of FIN 47	**5**	181
Liabilities settled or disposed	**(9)**	–
Revisions to estimates	**(2)**	–
Asset retirement obligations as of December 31	**$193**	$181

As of December 31, 2006, our asset retirement obligation was primarily related to removal or remediation of various regulated materials, primarily asbestos.

NEW ACCOUNTING STANDARDS

In accordance with the disclosure requirements of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," GM adopted the fair value based method of accounting for stock-based employee compensation pursuant to SFAS No. 123 effective January 1, 2003, for newly granted stock-based compensation awards only. On January 1, 2006, GM adopted SFAS No. 123(R), "Accounting for Stock-Based Compensation." In 2006 and 2005 all awards were accounted for at fair value. The following table illustrates the effect on net income and earnings per share for 2004 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):

	2004
Net income (loss)	$2,701
Add: stock-based compensation expense, included in reported net income, net of related tax effects	38
Deduct: total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(52)
Pro forma net income	$2,687
Basic earnings per share	
– as reported	$ 4.78
– pro forma	$ 4.75
Diluted earnings per share	
– as reported	$ 4.76
– pro forma	$ 4.74

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which supplements SFAS No. 109, "Accounting for Income Taxes," by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. The Interpretation requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. At adoption, companies must adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained as of the adoption date. Any necessary adjustment would be recorded directly to retained earnings in the period of adoption and reported as a change in accounting principle. This Interpretation is effective as of the beginning of the first fiscal year beginning after December 15, 2006. Management estimates that upon adoption, a cumulative effect adjustment of approximately $50 million to $100 million will decrease reserves for uncertain tax positions and increase retained earnings. This estimate is subject to revision as management completes its analysis.

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108 "Quantifying Financial Misstatements" which expresses the Staff's views regarding the process of quantifying financial statement misstatements. Registrants are required to quantify the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. The techniques most commonly used in practice to accumulate and quantify misstatements are generally referred to as the "rollover" (current year income statement perspective) and "iron curtain" (year-end balance sheet perspective) approaches. The financial statements would require adjustment when either approach results in quantifying a misstatement that is material, after considering all relevant quantitative and qualitative factors. This bulletin is effective for financial statements for the first fiscal year ending after November 15, 2006. Prior to the issuance of this Bulletin, GM quantified the impact of errors using both the iron curtain approach and rollover approach, therefore, this SAB has no financial statement impact for GM.

Note 3. Significant Accounting Policies *(concluded)*

In September 2006, the FASB issued SFAS No. 157 "Fair Value Measurements," (SFAS No. 157) which provides a definition of fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The provisions of SFAS No. 157 should be applied prospectively. Management is assessing the potential impact of this standard on GM's financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans", (SFAS No. 158) which amends SFAS No. 87 "Employers' Accounting for Pensions" (SFAS No. 87), SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (SFAS No. 88), SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS No. 106), and SFAS No. 132R "Employers' Disclosures about Pensions and Other Postretirement Benefits (revised 2003)" (SFAS No. 132R). This Statement requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements. SFAS No. 158 also requires the measurement date for plan assets and liabilities to coincide with the sponsor's year end. The standard provides two transition alternatives related to the change in measurement date provisions. The recognition of an asset and liability related to the funded status provision is effective for fiscal years ending after December 15, 2006 and the change in measurement date provisions is effective for fiscal years ending after December 15, 2008. GM adopted the recognition of an asset and liability related to the funded status provisions of SFAS No. 158 at December 31, 2006. The additional pension and OPEB liability included on the balance sheet is $27.4 billion. The impact of adoption also resulted in additional net deferred tax assets of $10.8 billion. The impact of adoption to stockholders' equity was a reduction of $16.9 billion. There was no impact on pension or OPEB expense, cash flow or benefits plans. See Note 19 to the Consolidated Financial Statements for further discussion of the implementation of the recognition provisions of SFAS No. 158. Management has elected to early adopt the measurement-date provisions of SFAS No. 158, which requires new measurement dates coinciding with GM's fiscal year for all plans in 2007. GM will use the "two-measurement" approach in adopting the measurement-date provisions of SFAS No. 158. See Note 19 to the Consolidated Financial Statements for further discussion of the measurement-date provisions of SFAS No. 158 which were early adopted by GM on January 1, 2007.

In October 2006, the FASB issued FSP FAS 123(R)-5 "Amendment of FASB Staff Position FAS No. 123(R)-1," (FSP FAS 123(R)-5) which amends FSP FAS 123(R)-1, "Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services under SFAS No. 123(R)," to clarify that freestanding financial instruments that were originally issued as employee compensation subject to SFAS No. 123(R) and subsequently modified solely to reflect an equity restructuring that occurs when the holders are no longer employees, should continue to be subject to the recognition and measurement provisions of SFAS No. 123(R) if certain conditions are met. The provisions of FSP FAS 123(R)-5 are effective for the first reporting period beginning after October 10, 2006. GM adopted the provisions of FSP FAS 123(R)-5 on January 1, 2007. This guidance did not have a material effect on GM's financial condition and results of operations.

In October 2006, the FASB issued FSP FAS 123(R)-6, "Technical Corrections of FASB Statement No. 123(R)," (FSP FAS 123(R)-6) which revises the computation of minimum compensation cost that must be recognized as defined in paragraph 42 of SFAS No. 123(R). Also, FSP FAS 123(R)-6 amends the definition of "short-term inducement" to exclude an offer to settle an award. The provisions of this FSP are effective for the first reporting period beginning after October 20, 2006. GM adopted the provisions of FSP FAS 123(R)-6 on January 1, 2007. This guidance did not have a material effect on GM's financial condition and results of operations.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities – including an Amendment of SFAS No. 115" (SFAS No. 159), which permits an entity to measure many financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. SFAS No. 159 amends previous guidance to extend the use of the fair value option to available-for-sale and held-to-maturity securities. The Statement also establishes presentation and disclosure requirements to help financial statement users understand the effect of the election. SFAS No. 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. Management is currently assessing the potential impact of this standard on GM's financial condition and results of operations.

Note 4. Acquisition and Disposal of Businesses

SALE OF 51% CONTROLLING INTEREST IN GMAC

On November 30, 2006, GM completed the sale of a 51% controlling interest in GMAC for a purchase price of $7.4 billion to FIM Holdings LLC (FIM Holdings). FIM Holdings is a consortium of investors including Cerberus FIM Investors LLC, Citigroup Inc., Aozora Bank Limited, and a subsidiary of The PNC Financial Services Group, Inc. GM has retained a 49% interest in GMAC's Common Membership Interests. In addition, FIM Holdings purchased 555,000 of GMAC's Preferred Membership Interests for a cash purchase price of $500 million and GM purchased 1,555,000 Preferred Membership Interests for a cash purchase price of $1.4 billion. The total value of the cash proceeds and distributions to GM after repayment of certain intercompany obligations, and before it purchased the preferred membership interests of GMAC was expected to be approximately $14 billion over three years, comprised of the $7.4 billion purchase price and $2.7 billion cash dividend at closing, and other transaction related cash flows including the monetization of certain retained assets. Subsequent to December 31, 2006, it was determined that GM would be required to make a capital contribution to GMAC of approximately $1 billion to restore its adjusted tangible equity balance to the contractually required amount of $14.4 billion, due to the decrease in the adjusted tangible equity balance of GMAC as of November 30, 2006.

Prior to consummation of the transaction, (i) certain assets with respect to automotive leases owned by GMAC and its affiliates having a net book value of approximately $4 billion and related deferred tax liabilities of $1.8 billion, were transferred to GM, (ii) GM assumed or retained certain of GMAC's postemployment benefit obligations totaling $842 million and related deferred tax assets of $302 million, (iii) GMAC transferred to GM certain entities that hold a fee interest in certain real properties, (iv) GMAC paid cash dividends to GM based upon GMAC's anticipated net income for the period September 30, 2005 to November 30, 2006 totaling $1.9 billion, (v) GM repaid certain indebtedness owing to GMAC and specified intercompany unsecured obligations owing to GMAC, and (vi) GMAC made a one-time distribution to GM of $2.7 billion of cash to reflect the increase in GMAC's equity resulting from the transfer of a portion of GMAC's net deferred tax liabilities arising from the conversion of GMAC and certain of its subsidiaries to limited liability company form.

Note 4. Acquisition and Disposal of Businesses *(concluded)*

In accordance with the terms of the sale agreement, in the second quarter of 2006, GM settled its estimated outstanding liability with respect to a residual support and risk sharing agreement that was in place with GMAC related to certain operating lease portfolios in the amount of $1.4 billion. Under this arrangement, the customer's contractual residual value was set above GMAC's standard residual values. GM reimbursed GMAC to the extent that remarketing sales proceeds were less than the customer's contractual residual value limited to GMAC's standard residual sales value. GM also participated in a risk sharing arrangement whereby GM shared equally in residual losses to the extent that remarketing proceeds were below GMAC standard residual values limited to a floor. The amount of the liability previously recorded by GM amounted to approximately $1.8 billion, resulting in a gain on settlement of approximately $390 million. Approximately $252 million of the gain was recognized in 2006 with the remainder reflected as a deferred gain which will be recognized in future periods as the leases terminate.

GM recognized a non-cash impairment charge of approximately $2.9 billion in Other expenses in 2006. The charge is comprised of the write-down of the carrying value of GMAC assets that were sold on November 30, 2006, partially offset by the realization of 51% of the unrecognized net gains reflected in GMAC's other comprehensive income.

For the eleven months ended November 30, 2006, GMAC's earnings and cash flows are fully consolidated in GM's Consolidated Statements of Operations and Statements of Cash Flows. After November 30, 2006, GM's remaining 49% interest in GMAC's common membership interests is reflected as an equity method investment. Also, GM's interest in GMAC's preferred membership interests is reflected as a cost method investment. Refer to Note 7.

As part of the agreement, GM retained an option, for 10 years after the closing date, to repurchase from GMAC certain assets related to the automotive finance business of the North American Operations and International Operations of GMAC. GM's exercise of the option is conditional on GM's credit rating being investment grade or higher than GMAC's credit rating. The call option price is calculated as the higher of (i) fair market value or (ii) 9.5 times the consolidated net income of GMAC's automotive finance business in either the calendar year the call option is exercised or the calendar year immediately following the year the call option is exercised. No value was assigned to this fair value option.

GM and GMAC entered into a number of agreements that were intended to continue the mutually-beneficial global relationship between GM and GMAC. These agreements, in substance, were consistent with the existing and historical practices between GM and GMAC, including requiring GMAC to continue to allocate capital to automotive financing thereby continuing to provide critical financing support to a significant share of GM's global sales. While GMAC retains the right to make individual credit decisions, GMAC has committed to fund a broad spectrum of customers and dealers consistent with historical practice in the relevant jurisdiction. Subject to GMAC's fulfillment of certain conditions, GM has granted GMAC exclusivity for U.S., Canadian, and international GM-sponsored consumer and wholesale marketing incentives for GM products in specified markets around the world, with the exception of Saturn branded products. Refer to Note 28 for additional information of the ongoing arrangements between GM and GMAC.

SALE OF GMAC COMMERCIAL MORTGAGE

On March 23, 2006, GM through GMAC sold approximately 79% of its equity in GMAC Commercial Mortgage for approximately $1.5 billion in cash. Subsequent to the sale, the remaining interest in GMAC Commercial Mortgage is reflected using the equity method. At December 31, 2005, GMAC Commercial Mortgage's assets and liabilities had been classified as held for sale in GM's Consolidated Balance Sheet.

ACQUISITION OF GM DAEWOO

On February 3, 2005, GM completed the purchase of 16.6 million newly-issued shares of common stock in GM Daewoo for approximately $49 million, which increased GM's ownership in GM Daewoo to 48.2% from 44.6%. No other shareholders in GM Daewoo participated in the issue. On June 28, 2005, GM purchased from Suzuki Motor Corporation (Suzuki) 6.9 million shares of outstanding common stock in GM Daewoo for approximately $21 million. This increased GM's ownership in GM Daewoo to 50.9%. Accordingly, GM began consolidating the operations of GM Daewoo in June 2005. This increased GM's total assets and liabilities as of June 30, 2005 by approximately $4.7 billion and $4.5 billion, respectively, including one-time increases of $1.6 billion of cash and marketable securities and $1.3 billion of long-term debt.

The pro forma unaudited impact on Automotive sales had GM consolidated GM Daewoo in 2005 and 2004 would have been an increase to revenue of $2.8 billion and $4.3 billion, respectively. The pro forma effect on net income (loss) is not significant compared to equity income recognized.

SALE OF ELECTRO-MOTIVE DIVISION

On April 4, 2005, GM completed the sale of its Electro-Motive Division (EMD) to an investor group led by Greenbriar Equity Group LLC and Berkshire Partners LLC for total consideration of $201 million. The sale covered substantially all of the EMD businesses and both the LaGrange, Illinois and London, Ontario manufacturing facilities. This transaction did not have a material effect on GM's consolidated financial position or results of operations.

Note 5. Impairments, Restructuring and Other Initiatives

IMPAIRMENTS

In 2006, GM recorded impairment charges totaling $424 million related to product specific assets based on GM's periodic review of its long-lived assets classified as held and used. Of this, $303 million was at GMNA, $60 million at GME, and $61 million at GMAP. In addition, GMNA recorded impairment charges totaling $172 million in 2006 which includes $102 million related to product specific assets and $70 million related to the write-down of various plant assets due to decreased profitability and production associated with the planned cessation of production at the Doraville, Georgia assembly plant in 2008. Additionally, GME recorded an asset impairment charge in 2006 of $89 million in connection with the announced closure of GM's Portugal assembly plant, which closed in December 2006.

In November 2005, GMNA announced a restructuring initiative which will cease operations at nine assembly, stamping, and powertrain facilities and three Service Parts and Operations facilities by 2008. As a result of these capacity reduction initiatives, GM recorded a charge of $700 million for the write down to fair market value of property, plants, and equipment for assets that were still in service as of December 31, 2005. See Note 6 for further discussion of the employee costs associated with this restructuring.

In 2005, the business planning cycle was accelerated as a result of the lack of improved performance in the second quarter of 2005. In connection with this process, GM reviewed the carrying value of certain long-lived assets held and used, other than goodwill and intangible assets with indefinite lives. These reviews resulted in impairment charges in GMNA and GME. In addition, restructuring initiatives were announced in the third quarter of 2005 in GMAP related to production in Australia, resulting in additional impairment charges. In GMLAAM, unusually strong South American currencies have adversely affected the profitability of GMLAAM's export business. Management's decision to adjust GMLAAM's export volumes resulted in lower expected future cash flows, resulting in an impairment charge in the region. These reviews and initiatives resulted in impairment charges totaling $1.2 billion recognized in 2005 ($743 million at GMNA, $262 million at GME, $150 million at GMLAAM, and $64 million at GMAP) for assets that were still in service.

Note 5. Impairments, Restructuring and Other Initiatives *(concluded)*

In 2005, GMNA also recorded a charge of $134 million for the write down to fair market value of various plant assets in connection with the first quarter 2005 announcement to discontinue production at a Lansing, Michigan assembly plant during the second quarter of 2005.

In 2004, impairment analyses resulted in charges totaling $609 million with respect to product-specific assets. Additional charges of $161 million were recorded at GMNA for the write-down to fair market value of various plant assets in connection with facilities rationalization actions at assembly plants in Baltimore, Maryland and Linden, New Jersey.

RESTRUCTURING AND OTHER INITIATIVES

GMNA results for 2006 included a charge of $115 million related to costs incurred in 2006 under a new salaried severance program, which allows involuntarily terminated employees to receive continued salary and benefits for a period of time after termination.

Results for 2005 include charges recognized of $223 million in GMNA and $13 million in Other Operations related to voluntary early retirement and other separation programs with respect to certain salaried employees in the United States.

GME results for 2006 include charges for separations and contract cancellations of $437 million. These charges are related to the restructuring plan announced in the fourth quarter of 2004, the closure of GM's Portugal assembly plant, the reduction of one shift at the Ellesmere Port plant in the United Kingdom, and new separation programs for Belgium, the United Kingdom, Sweden, and Germany announced in the fourth quarter of 2006. The charge in 2006 for the restructuring plan announced in 2004 was $184 million. GME's restructuring plan targeted a total reduction of 12,000 employees over the period 2005 through 2007 through separation programs, early retirements, and selected outsourcing initiatives. As of December 31, 2006 approximately 11,600 employees left GM under this restructuring program and the program is on target to achieve the total headcount reduction, and has achieved the targeted annual structural cost reduction of $600 million by 2006. The charge in 2006 for the closure of the Portugal plant was $79 million and was related to separations and contract cancellations. The plant closed in December 2006, resulting in a total separation of approximately 1,100 employees. The charge in 2006 for the shift reduction in Ellesmere Port was $134 million. The shift reduction reduced the work force in the U.K. by approximately 1,200 employees by the end of 2006. The charge for 2006 related to separation programs in Belgium, the United Kingdom, and Sweden was $32 million. These charges relate to the separation of approximately 280 employees, primarily in Sweden. In addition, a charge of $8 million was recorded in 2006 relating to an early retirement program in Germany approved in the fourth quarter of 2006. Approximately 2,600 employees will leave under this program through 2013. The cost will be recognized over the remaining service period of each employee.

GME results for 2005 included restructuring charges of $1.1 billion for separations, mainly related to the restructuring plan announced in the fourth quarter of 2004, and also included costs related to the dissolution of the Powertrain joint venture with Fiat in the second quarter of 2005 and other contract cancellation charges.

GMLAAM results for 2006 include restructuring charges of $43 million. These restructuring charges relate to the costs of voluntary employee separations at GM do Brasil.

GMAP results for 2006 include restructuring charges of $15 million. These restructuring charges relate to the costs of voluntary employee separations at GM Holden.

Note 6. GMNA Postemployment Benefit Costs

Costs to idle, consolidate, or close facilities and provide postemployment benefits to employees idled on an other than temporary basis are accrued based on management's best estimate of the wage and benefits costs that will be incurred for qualified employees under the JOBS bank provisions of the current labor agreement through the date of its expiration in September 2007, plus estimated costs expected to be paid thereafter taking into account policy changes that GM intends to negotiate into the JOBS program after the expiration of the current collective bargaining agreement. Costs related to the idling of employees that are expected to be temporary are expensed as incurred. GM reviews the adequacy and continuing need for these liabilities on an annual basis in conjunction with its year-end production and labor forecasts. Furthermore, GM reviews the reasonableness of the liabilities on a quarterly basis.

In 2005, GM recognized a charge of $1.8 billion for postemployment benefits related to the restructuring of its North American operations announced in November 2005. Approximately 17,500 employees were included in the charge for locations included in this action, some leaving the company through attrition and some transferring to other sites.

On March 22, 2006, GM, Delphi, and the UAW reached an agreement (the UAW Attrition Agreement) intended to reduce the number of U.S. hourly employees through an accelerated attrition program (the Attrition Program). The program was offered to U.S. GM hourly employees and select UAW-represented members of Delphi's hourly work force. The program also permitted the return of UAW-represented Delphi employees back to GM until September 2007. In addition, eligible UAW-represented Delphi employees could elect to retire from Delphi or return to GM and retire. Under the agreement, GM has agreed to assume the financial obligations related to the lump sum payments that were made to eligible Delphi U.S. hourly employees accepting normal or voluntary retirement incentives and certain post-retirement employee benefit obligations related to Delphi employees who returned to GM under the plan. Refer to Note 20 for additional information in regards to GM's financial obligation with respect to Delphi.

Under the UAW Attrition Program, GM provided certain UAW-represented employees at GM with (i) a lump sum payment of $35,000 for normal or early voluntary retirements retroactive to October 1, 2005; (ii) a mutually satisfactory retirement for employees with at least 10 years of credited service and 50 years of age or older; (iii) payment of gross monthly wages ranging from $2,750 to $2,900 to those employees who participate in a special voluntary pre-retirement program depending on years of credited service and plant work location; and (iv) a buyout of $140,000 for employees with ten or more years of seniority, or of $70,000 for employees with less than 10 years seniority, provided such employees sever all ties with GM except for any vested pension benefits. Approximately 34,400 GM hourly employees have agreed to the terms of the Attrition Program. GM recorded a charge of approximately $2.1 billion in 2006 to recognize the wage and benefit cost of those accepting normal and voluntary retirements, buy-outs or pre-retirement leaves. As a result of the Attrition Program, the JOBS Bank was substantially reduced as employees from the Bank retired, took a buy-out or filled openings created by the Attrition Program. Employees who chose to leave GM retired or left by January 1, 2007.

Throughout 2006, GM recorded favorable adjustments totaling approximately $1.0 billion to the postemployment benefits reserve primarily as a result of (i) the transfer of employees from idled plants to other plant sites to replace those positions previously held by employees that accepted retirements, buy-outs, or pre-retirement leaves, (ii) a higher than anticipated level of Attrition Program participation by employees at idled facilities and facilities to be idled that were previously accrued for under the JOBS bank provisions,

Note 6. GMNA Postemployment Benefit Costs *(concluded)*

and (iii) higher than anticipated headcount reductions associated with previously announced GMNA plant idling activities. The employees' wage and benefit costs were then included in the charge attributable to the Attrition Program in 2006, which is discussed in the above paragraph. In addition, a charge of $81 million was recorded in 2006 to reflect GM's commitment under the UAW Attrition Agreement to pay a lump-sum to certain UAW and IUE-represented GM retirees with recent retirements. GM also announced plans to idle a shift at the Lordstown Assembly Plant in 2006 and to idle its service parts operations at the Drayton Plains facility in 2008 which resulted in a charge of $13 million in 2006 to recognize future wages and benefit obligations associated with the idling of workforce at these two facilities.

At December 31, 2006, the postemployment benefit cost reserve reflects estimated future wages and benefits of $1.3 billion related to approximately 8,500 employees, primarily located at idled facilities and facilities to be idled as a result of previous announcements, and approximately 10,900 employees under the terms of the Attrition Program. At December 31, 2005, this reserve was approximately $2 billion related to the estimated future wages and benefits of approximately 18,400 employees, primarily at idled facilities and facilities to be idled as a result of previous announcements in 2005. The postemployment benefits reserve was $237 million as of December 31, 2004, which related to numerous facilities and approximately 1,900 employees. The following table summarizes the activity in the reserve for the years 2006, 2005 and 2004:

(Dollars in millions)	**2006**	2005	2004
Beginning balance	**$ 2,012**	$ 237	$ 384
Additions	**2,212**	1,891	–
Interest accretion	**31**	12	19
Payments	**(1,834)**	(91)	(151)
Adjustments	**(1,152)**	(37)	(15)
Ending balance	**$ 1,269**	$2,012	$ 237

Note 7. Investment in Nonconsolidated Affiliates

Nonconsolidated affiliates of GM identified herein are those entities in which GM owns an equity interest and for which GM uses the equity method of accounting, because GM has the ability to exert significant influence over decisions relating to their operating and financial affairs. GM's significant affiliates, and the percent of GM's equity ownership or voting interest in them include the following:

- United States – GMAC (49% at December 31, 2006);
- Japan – Fuji Heavy Industries Ltd. (FHI) (sold at December 31, 2005 and 20.1% in 2004), Suzuki Motor Corporation (3.7% at December 31, 2006, and 20.4% in 2005 and 2004);
- China – Shanghai General Motors Co., Ltd (50% in 2006, 2005 and 2004), SAIC-GM-Wuling Automobile Co., Ltd (34% in 2006, 2005 and 2004);
- South Korea – GM Daewoo (50.9% at December 31, 2006 and 2005, 44.6% in 2004; with the increase in ownership to more than 50%, GM consolidated GM Daewoo at June 30, 2005 – see Note 4);
- Italy – GM-Fiat Powertrain (FGP) (dissolved at December 31, 2005 and 50% in 2004).

Information regarding GM's significant nonconsolidated affiliates, as described above in the following countries is included in the table below:

(Dollars in millions)	United States	Italy	Japan	China	South Korea
2006					
Book value of GM's investments in affiliates	**$ 7,523**	**NA**	**NA**	**$ 851**	**NA**
GM's share of affiliates' net income (loss)	**(5)**	**NA**	**$ 21**	**$ 306**	**NA**
Total assets of significant affiliates	**287,439**	**NA**	**NA**	**$4,828**	**NA**
Total liabilities of significant affiliates	**270,875**	**NA**	**NA**	**$2,951**	**NA**
2005					
Book value of GM's investments in affiliates	NA	NA	$ 1,576	$ 822	NA
GM's share of affiliates' net income (loss)	NA	$ 32	$ 183	$ 302	$ 17
Total assets of significant affiliates	NA	NA	$15,507	$3,912	NA
Total liabilities of significant affiliates	NA	NA	$ 7,467	$2,179	NA
2004					
Book value of GM's investments in affiliates	NA	$1,293	$ 3,174	$1,084	$ 193
GM's share of affiliates' net income (loss)	NA	$ 86	$ 255	$ 432	$ (35)
Total assets of significant affiliates	NA	$8,616	$30,582	$3,438	$5,288
Total liabilities of significant affiliates	NA	$5,539	$17,417	$1,592	$4,447

As discussed in Note 4, GM sold a 51% ownership interest in GMAC in November 2006. As such, the remaining 49% ownership interest held by GM is accounted for under the equity method. In addition, FIM Holdings purchased 555,000 of GMAC's Preferred Membership Interests for a cash purchase price of $500 million and GM purchased 1,555,000 Preferred Membership Interests for a cash purchase price of $1.4 billion. The investment in GMAC Preferred Membership Interests, a cost method investment, was initially recorded at fair value at the date of its acquisition. The excess of fair value over the purchase price of the Preferred Membership Interests reduced the Corporation's investment in GMAC Common Membership Interests. GMAC is required to make certain quarterly distributions to holders of the Preferred Membership Interest in cash on a pro rata basis. The Preferred Membership Interests are issued in units of $1,000 and accrue a yield at a rate of 10% per annum. GMAC's Board of Managers (GMAC Board) may reduce any distribution to the extent required to avoid a reduction of the equity capital of GMAC below a minimum amount of equity capital equal to the net book value of GMAC at November 30, 2006. In addition, the GMAC Board may suspend the payment of Preferred Membership Interest distributions with the consent of a majority of the Preferred Membership Interests. If distributions are not made with respect to any fiscal quarter, the distributions would not be cumulative. If the accrued yield of GMAC's Preferred Membership Interests for any fiscal quarter is fully paid to the preferred holders, then a portion of the excess of the net financial book income of GMAC in any fiscal quarter over the amount of yield distributed to the holders of the Preferred Membership Interests in such quarter will be distributed to the holders of the

Note 7. Investment in Nonconsolidated Affiliates *(concluded)*

Common Membership Interests as follows: at least 40% of the excess will be paid for fiscal quarters ending prior to December 31, 2008 and at least 70% of the excess will be paid for fiscal quarters ending after December 31, 2008.

In 2006, GMAC recognized a gain of $415 million on the sale of its entire equity interest in a regional home builder. Under the equity method of accounting, GMAC's share of income recorded from this investment was approximately $42.4 million and $35.2 million in 2006 and 2005, respectively.

Also, in 2006, GM sold 92.36 million shares of its investment in Suzuki, reducing GM's equity stake in Suzuki from 20.4% to 3.7% (16.3 million shares). The sale of GM's interest generated cash proceeds of $2 billion and a gain on sale of $666 million in 2006. Effective with completion of the sale, GM's remaining investment in Suzuki is accounted for as an available-for-sale equity security. Refer to Note 8.

In the fourth quarter of 2005, GM completed the sale of its 20.1% investment in the common stock of FHI. In the second quarter of 2005, GM recorded an impairment charge of $812 million associated with its investment in the common stock of FHI. In the fourth quarter of 2005, GM recorded a gain of $78 million, due to the appreciation of the fair value of such stock after June 30, 2005, the date of the FHI impairment charge. The sale generated net proceeds of approximately $775 million.

On February 13, 2005, GM and Fiat S.p.A. (Fiat) reached a settlement agreement whereby GM agreed to pay Fiat approximately $2.0 billion and to return its 10% equity interest in Fiat Auto Holdings B.V. (FAH), to terminate the Master Agreement (including the Put Option) entered into in March 2000, settle various disputes related thereto, and acquire an interest in key strategic diesel engine assets, and other important rights with respect to diesel engine technology and know-how. The settlement agreement resulted in a charge of approximately $1.4 billion, which is recorded in Other expenses in the Consolidated Statements of Operations. Since the underlying events and disputes giving rise to GM's and Fiat's agreement to settle these disputes and terminate the Master Agreement (including the Put Option) existed at December 31, 2004, GM recognized this charge in the fourth quarter of 2004.

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

- FGP joint venture company was dissolved and GM regained complete ownership of all GM assets originally contributed.
- GM would retain co-ownership with Fiat of the key powertrain intellectual property, including SDE and JTD diesel engines and the M20-32 six-speed manual transmission;
- GM would hold a 50% interest in Fiat GM Powertrain Polska, a joint venture limited to operating the powertrain manufacturing plant in Bielsko-Biala, Poland, which currently produces the 1.3 liter SDE diesel engine;
- The companies will continue to supply each other with powertrains under long-term contracts, which provide considerable ongoing savings;

Effective May 13, 2005 the liquidation of these joint ventures and GM's acquisition of certain strategic assets from Fiat were completed. GM and Fiat have exchanged broad releases of all claims and liabilities.

In the fourth quarter of 2004, GM completed its annual review of its investment in FAH. As a result of continued deterioration in the performance of Fiat Auto S.p.A. and its debt structure, GM recorded a non-cash charge of $220 million to reduce the carrying value of GM's investment in FAH to zero.

Note 8. Marketable Securities

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

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

	December 31, 2006				December 31, 2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale								
Corporate debt securities and other	$122	$–	$–	$122	$ 741	$ –	$ 13	$ 728
United States government and agencies	13	–	–	13	455	–	5	450
Mortgage-backed securities	3	–	–	3	243	–	5	238
Total	$138	$–	$–	$138	$ 1,439	$ –	$ 23	$ 1,416
Financing and Insurance Operations:								
Mortgage-backed securities held for trading purposes	$ –	$–	$–	$ –	$ 3,766	$ 131	$ –	$ 3,897
Available-for-sale								
United States government and agencies	93	1	–	94	2,945	5	46	2,904
States and municipalities	–	–	–	–	863	27	1	889
Foreign government securities	–	–	–	–	844	11	2	853
Mortgage and asset-backed securities	–	–	–	–	1,216	29	5	1,240
Corporate debt securities and other	98	–	4	94	6,136	43	35	6,144
Subtotal	$191	$1	$4	$188	$12,004	$ 115	$ 89	$12,030
Equity securities	–	–	–	–	1,510	874	17	2,367
Mortgage-backed securities held-to-maturity	–	–	–	–	16	–	–	16
Total	$191	$1	$4	$188	$17,296	$1,120	$106	$18,310
Total consolidated	$329	$1	$4	$326	$18,735	$1,120	$129	$19,726

Proceeds from sales of marketable securities totaled $7.9 billion in 2006, $20.4 billion in 2005, and $18 billion in 2004. The gross gains related to sales of marketable securities were $1.1 billion, $223 million, and $163 million in 2006, 2005, and 2004, respectively. The gross losses related to sales of marketable securities were $105 million in 2006, $132 million in 2005, and $79 million in 2004.

Note 8. Marketable Securities *(concluded)*

The amortized cost and fair value of investments in available-for-sale securities by contractual maturity at December 31, 2006 were as follows (in millions):

	Available-for-Sale		Financing and Insurance Available-for-Sale	
Contractual Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
1 year	$116	$116	$191	$188
2–5 years	22	22	–	–
6–10 years	–	–	–	–
11 years and later	–	–	–	–
Total	$138	$138	$191	$188

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

(Dollars in millions)	**December 31, 2006**	
	Less than 12 Months	
	Fair Value	**Unrealized Losses**
Financing and Insurance Operations		
Available for sale securities:		
Corporate debt securities and other	**$94**	**$4**
Total available-for-sale securities	**$94**	**$4**

(Dollars in millions)	December 31, 2005			
	Less than 12 Months		12 Months or Longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities:				
Corporate debt securities and other	$ 201	$ 3	$370	$10
U.S. government and agencies	289	2	84	3
Mortgage backed securities	153	3	65	2
Total	$ 643	$ 8	$519	$15
Financing and Insurance Operations				
Available for sale securities:				
Debt securities:				
U.S. government and agencies	$1,590	$32	$520	$15
States and political subdivisions	79	1	–	–
Foreign government securities	179	1	–	–
Residential mortgage-backed securities	36	1	76	2
Interest-only strips	81	3	–	–
Corporate debt securities	1,865	20	331	10
Other	175	3	21	1
Total debt securities	4,005	61	948	28
Equity securities	137	15	19	2
Total available for sale securities	$4,142	$76	$967	$30
Total held to maturity securities	$ –	$ –	$ –	$ –

In addition, as of December 31, 2006, GM holds a strategic 3.7% stake in Suzuki that is recorded in Other Assets at its fair value of $460 million. GM's cost basis in this investment is approximately $236 million. Prior to 2006, GM held a 20.4% interest and accounted for its investment using the equity method.

Note 9. Variable Interest Entities

GM is providing the information below concerning VIEs that: (1) are consolidated since GM is deemed to be the primary beneficiary and (2) those entities that GM does not consolidate because, although GM has significant interests in such VIEs, GM is not the primary beneficiary. Those VIEs listed below that related to the Financing and Insurance Operations were consolidated in 2004, 2005 and the period January 1, 2006 to November 30, 2006.

Synthetic Leases – GM leases real estate and equipment from various SPEs that have been established to facilitate the financing of those assets for GM by nationally prominent, creditworthy lessors. These assets consist principally of office buildings, warehouses, and machinery and equipment. The use of SPEs allows the parties providing the financing to isolate particular assets in a single entity and thereby syndicate the financing to multiple third parties. This is a conventional financing technique used to lower the cost of borrowing and, thus, the lease cost to a lessee such as GM. There is a well-established market in which institutions participate in the financing of such property through their purchase of interests in these SPEs. Certain of these SPEs were determined to be VIEs under FIN 46(R). GM consolidates any entities with leases where GM provides a residual value guarantee of the leased property, and is considered the primary beneficiary under FIN 46(R). As of December 31, 2006, the carrying amount of assets and liabilities consolidated under FIN 46(R) amounted to $636 million and $797 million, respectively, compared to $780 million and $1 billion as of December 31, 2005. Assets consolidated are reflected in property-net in GM's consolidated financial statements. GM's maximum exposure to loss related to the consolidated VIEs amounted to $695 million at December 31, 2006. For other such lease arrangements involving VIEs, GM holds significant variable interests but is not considered the primary beneficiary under FIN 46(R). GM's maximum exposure to loss related to these VIEs where GM has a significant variable interest, but does not consolidate the entity, amounted to $624 million at December 31, 2006.

FINANCING AND INSURANCE OPERATIONS

Automotive Finance Receivables – In certain securitization transactions, GMAC transfers consumer finance receivables and wholesale lines of credit into bank-sponsored multi-seller commercial paper conduits. These conduits provide a funding source to GMAC (as well as other transferors into the conduit) as they fund the purchase of the receivables through the issuance of commercial paper. Total assets outstanding in these bank-sponsored conduits approximated $15.3 billion as of December 31, 2005. While GMAC has a variable interest in these conduits, it is not considered to be the primary beneficiary, as GMAC does not retain the majority of the expected losses or returns.

Mortgage Warehouse Funding – GMAC's Mortgage operations transfer commercial and residential mortgage loans, lending receivables, home equity loans, and lines of credit pending permanent sale or securitization through various structured finance arrangements in order to provide funds for the origination and purchase of future loans. These structured finance arrangements include transfers to warehouse funding entities, including GMAC and bank-sponsored commercial paper conduits. Transfers of assets from GMAC into each facility are accounted for as either sales (off-balance sheet) or secured financings (on-balance sheet) based on the provisions of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (SFAS No. 140). However, in either case, creditors of these facilities have no legal recourse to the general credit of GMAC. Some of these warehouse funding entities represent variable interest entities under FIN 46(R).

Management has determined that for certain mortgage warehouse funding facilities, GMAC is the primary beneficiary and, as such, consolidates the entities in accordance with FIN 46(R). The assets of these residential mortgage warehouse entities totaled $7.2 billion at December 31, 2005, the majority of which are included in loans held for sale and finance receivables, net, in the Consolidated Balance Sheet.

Note 9. Variable Interest Entities *(concluded)*

Residential Mortgage Loan Alliances – GMAC has invested in strategic alliances with several mortgage loan originators. These alliances may include common or preferred equity investments, working capital or other subordinated lending, and warrants. In addition to warehouse lending arrangements, management has determined that GMAC does not have the majority of the expected losses or returns and as such, consolidation is not appropriate under FIN 46(R). Total assets in these alliances were $139 million at December 31, 2005.

Construction and Real Estate Lending – GMAC uses an SPE to finance construction lending receivables. The SPE purchases and holds the receivables and funds the majority of the purchases through financing obtained from third-party asset-backed commercial paper conduits. GMAC is the primary beneficiary, and as such, consolidates the entity in accordance with FIN 46(R). The assets in this entity totaled $1.6 billion at December 31, 2005, which are included in finance receivables, net, in the Consolidated Balance Sheet. The beneficial interest holders of this variable interest entity do not have legal recourse to the general credit of GMAC.

GMAC has subordinated real estate lending arrangements with certain entities. These entitles are created to develop land and construct residential homes. Management has determined that GMAC does not have the majority of the expected losses or returns, and as such, consolidation is not appropriate under FIN 46(R). Total assets in these entities were $496 million at December 31, 2005.

Warehouse Lending – GMAC has a facility in which it transfers mortgage warehouse lending receivables to a 100% owned SPE which then sells a senior participation interest in the receivables to an unconsolidated qualifying special purpose entity (QSPE). The QSPE funds the purchase of the participation interest from the SPE through financing obtained from third-party asset-backed commercial paper conduits. The SPE funds the purchase of the receivables from GMAC with cash obtained from the QSPE, as well as a subordinated loan and/or an equity contribution from GMAC. The senior participation interest sold to the QSPE, and the commercial paper issued are not included in the assets or liabilities of GMAC. Once the receivables have been sold, they may not be purchased by GMAC except in very limited circumstances, such as a breach in representations or warranties. Management has determined that GMAC is the primary beneficiary of the SPE, and as such, consolidates the entity in accordance with FIN 46(R). The assets in this entity totaled $3.5 billion at December 31, 2005, which are included in finance receivables, net of unearned income, in the Consolidated Balance Sheet.

Collateralized Debt Obligations (CDOs) – GMAC's Mortgage operations sponsor and serve as collateral manager for CDOs. Under CDO transactions, a trust is established that purchases a portfolio of securities and issues debt and equity certificates, representing interests in the portfolio of assets. In addition to receiving variable compensation for managing the portfolio, GMAC sometimes retains equity investments in the CDOs. The majority of the CDOs sponsored by GMAC were initially structured or have been restructured (with approval by the senior beneficial interest holders) as QSPEs, and are therefore exempt from FIN 46(R).

In the event that an asset is credit impaired, a call option is triggered whereby GMAC, as collateral manager, may buy the asset out of the pool and sell it to a third party. The call is triggered only by events that are outside GMAC's control, such as the downgrade by a rating agency of an asset in the pool or in the event more than a specified percentage of mortgage loans underlying a security are greater than 60 days delinquent (or have been liquidated). In the event the conditions under which GMAC can exercise the call option are met, GMAC recognizes these assets. In accordance with these provisions, GMAC did not recognize any assets as of December 31, 2005.

Management has determined that for certain CDO entities, GMAC is the primary beneficiary, and as such, consolidates the entities in accordance with FIN 46(R). The assets in these entities totaled $569 million at December 31, 2005, the majority of which are included in marketable securities in the Consolidated Balance Sheet.

Interests in Real Estate Partnerships – GMAC's Commercial Mortgage operations syndicate investments in real estate partnerships to unaffiliated investors, and in certain partnerships, have guaranteed the timely payments of a specified return to those investors. The investor returns are principally generated from each partnership's share of affordable housing tax credits and tax losses derived from the partnership's investments in entities which develop, own and operate affordable housing properties throughout the United States. These entities are considered VIE's under FIN 46(R). The determination of whether GMAC is the primary beneficiary of a given tax credit fund depends on many factors, including the number of limited partners and the rights and obligations of the general and limited partners in that fund.

GMAC has variable interests in the underlying operating partnerships (primarily in the form of limited partnership interests). The results of the variable interest analysis indicated that GMAC is not the primary beneficiary of some of these partnerships and, as a result, is not required to consolidate these entities under FIN 46(R). Assets outstanding in these underlying operating partnerships approximated $6.5 billion at December 31, 2005. GMAC's maximum exposure to loss related to these partnerships is $682 million. In addition, management has determined that for certain partnerships, GMAC is the primary beneficiary, and as such, consolidates the partnerships in accordance with FIN 46(R). The impact of consolidation results in an increase to our assets totaling $452 million at December 31, 2005, which are included in the Corporation's Consolidated Balance Sheet. This consolidation did not impact reported net income. Real estate assets held as collateral for these entities totaled $252 million at December 31, 2005.

GMAC holds variable interests in syndicated affordable housing partnerships where it provides unaffiliated investors with a guaranteed yield on their investment. These partnerships were reflected as held for sale in GM's Consolidated Balance Sheet at December 31, 2005 under the financing method in accordance with Statement of Financial Accounting Standards No 66, "Accounting for Sales of Real Estate" (SFAS No. 66). GMAC's exposure to loss at December 31, 2005 was $1.4 billion representing the $1.0 billion financing liability reflected in the Consolidated Balance Sheet (i.e., real estate syndication proceeds) as well as $0.4 billion in additional unpaid equity installments. The maximum exposure amount represents the amount payable to investors, as unaffiliated investors place additional guaranteed commitments with GMAC, and decreases as tax benefits are delivered to the investors. Considering such amounts, GMAC exposure to loss in future periods is not expected to exceed $1.9 billion.

New Markets Tax Credit Funds – GMAC syndicates and manages investments in partnerships that make investments, typically mortgage loans that, in turn, qualify the partnerships to earn New Markets Tax Credits. New Markets Tax Credits permit taxpayers to receive a federal income tax credit for making qualified equity investments in community development entities. For one particular tax credit fund management has determined that GMAC does not have the majority of the expected losses or returns and, as such, consolidation is not appropriate under FIN 46(R). The assets in these investments totaled $62 million at December 31, 2005, of which $41 million represents GMAC's maximum exposure to loss. In addition to this entity, management has determined that for other tax credit funds, GMAC is a primary beneficiary and as such, consolidates these entities in accordance with FIN 46(R). The impact of consolidation results in an increase to our assets classified as held for sale in the Consolidated Balance Sheet totaling $206 million at December 31, 2005.

Note 10. Finance Receivables and Securitizations

GM generates receivables from its sales of vehicles to its dealer network domestically and internationally, as well as from its service parts, transmission, and powertrain sales. Certain of these receivables are sold to a GM wholly-owned bankruptcy-remote SPE. The SPE is a separate legal entity that assumes the risks and rewards of ownership of the receivables. In turn, the SPE participates in a trade accounts receivable securitization program whereby it enters into an agreement to sell undivided interests in an eligible pool of trade receivables limited to $0.85 billion and $1 billion in 2006 and 2005, respectively, to a bank conduit that funds its purchases through issuance of commercial paper or via direct bank funding. The receivables under the program were sold at fair market value, and excluded from GM's Consolidated Balance Sheet. The loss recorded on the trade receivables sold is included in Automotive cost of sales and was $30 million, $23 million and $3 million in 2006, 2005 and 2004, respectively. As of December 31, 2006 and 2005, the bank conduit had a beneficial interest of $0.2 billion and $0.4 billion, respectively, of the SPE's pool of eligible trade receivables. GM does not have a retained interest in the receivables sold, but performs collection and administrative functions. The gross amount of proceeds from collections reinvested in revolving securitizations was $9.0 billion, $12.8 billion and $6.9 billion for 2006, 2005, and 2004 respectively.

In addition to this securitization program, GM participates in other trade receivable securitization programs, primarily in Europe. Financing providers had a beneficial interest in GM's pool of eligible European receivables of $0.1 billion and $0.3 billion as of December 31, 2006 and 2005 respectively, related to those securitization programs.

Since April 2006, certain other GM trade accounts receivables related to vehicle sales to dealers primarily in the Middle East are pledged as collateral under an on balance sheet securitized borrowing program. The receivables pledged are not reported separately from other trade accounts receivables on the Consolidated Balance Sheet. The amount of receivables pledged under this program as of December 31, 2006 was approximately $0.3 billion and such amount is also reported as short-term borrowings. In addition, GM has other on balance sheet trade receivable and other financing programs with GMAC as counterparty. The balance under these programs was $1.8 billion as of December 31, 2006 which is reported as debt since the completion of the GMAC Transaction.

FINANCE RECEIVABLES, NET

Finance receivables – net included the following at December 31, 2005:

(Dollars in millions)	
Consumer:	
Retail automotive	$ 71,477
Residential mortgages	68,959
Total consumer	140,436
Commercial:	
Automotive:	
Wholesale	19,641
Leasing and lease financing	1,228
Term loans to dealers and others	2,973
Commercial and industrial	16,936
Commercial real estate:	
Commercial mortgage (1)	43
Real estate construction	2,677
Total commercial	43,498
Total finance receivables and loans	183,934
Allowance for financing losses	(3,085)
Total consolidated finance receivables, net (2)	$180,849

(1) *At December 31, 2005, $3.0 billion ($2.1 billion domestic and $949 million foreign) in GMAC Commercial Mortgage's finance receivables and loans were transferred to held for sale on the Consolidated Balance Sheet.*

(2) *Net of unearned income of $5.9 billion at December 31, 2005.*

Finance receivables that originated outside the United States were $32.5 billion at December 31, 2005.

SECURITIZATIONS OF FINANCE RECEIVABLES AND MORTGAGE LOANS

As described in Note 4, GMAC transferred to GM two bankruptcy-remote subsidiaries (SPEs) that hold the equity interests in ten trusts that are parties to lease asset securitizations. The balance of lease securitization debt under these two SPEs as of December 31, 2006 was $9.4 billion.

GMAC has significant finance receivables. With the completion of the GMAC Transaction before year-end 2006, GMAC's finance receivables are no longer part of the consolidated balance sheet. Below is information on GMAC finance receivables as of December 31, 2005.

GMAC sells retail finance receivables, wholesale and dealer loans, and residential mortgage loans. The following discussion and related information is only applicable to the transfers of finance receivables and loans that qualify as off-balance sheet securitizations under the requirements of SFAS No. 140.

GMAC retains servicing responsibilities for and subordinated interests in all of its securitizations of retail finance receivables and wholesale loans. Servicing responsibilities are retained for the majority of its residential and commercial mortgage loan securitizations and GMAC may retain subordinated interests in some of these securitizations. GMAC also holds subordinated interests and acts as collateral manager in its collateralized debt obligation (CDO) securitization program.

As servicer, GMAC receives a monthly fee stated as a percentage of the outstanding sold receivables. Typically, for retail automotive finance receivables where GMAC is paid a fee, it has concluded that the fee represents adequate compensation as a servicer and, as such, no servicing asset or liability is recognized. Considering the short-term revolving nature of wholesale loans, no servicing asset or liability is recognized upon securitization of the loans. As of December 31, 2005, the weighted average basic servicing fees for its primary servicing activities were 100 basis points, 100 basis points and 40 basis points of the outstanding principal balance for sold retail finance receivables, wholesale loans, residential mortgage loans and commercial mortgage loans, respectively. Additionally, GMAC retain the rights to cash flows remaining after the investors in most securitization trusts have received their contractual payments. In certain retail securitization transactions, retail receivables are sold on a servicing retained basis, but with no servicing compensation and, as such, a servicing liability is established and recorded in other liabilities. As of December 31, 2005, servicing liabilities of $32 million were outstanding related to such retail securitization transactions. In addition, in 2005, GMAC completed a retail automotive securitization where the servicing fee received is considered greater than adequate compensation requiring the recording of a servicing asset. As of December 31, 2005, the fair value of the servicing asset was $30 million.

For mortgage servicing, GMAC capitalizes the value expected to be realized from performing specified residential and commercial mortgage servicing activities as mortgage servicing rights.

Note 10. Finance Receivables and Securitizations *(continued)*

The following tables summarize gains on securitizations and certain cash flows received from and paid to securitization trusts for transfers of finance receivables and loans that were completed during the eleven months ended November 30, 2006, and the years ended December 31, 2005 and 2004:

Eleven Months Ended November 30,	2006			
			Mortgage Loans	
(Dollars in millions)	Retail Finance Receivables	Wholesale Loans	Residential	Commercial
Pre-tax gains (losses) on securitizations	$ –	$ 551	$ 731	–
Cash inflow information:				
Proceeds from new securitizations	3,315	–	56,510	–
Servicing fees received	–	166	435	–
Other cash flows received on retained interests	308	28	534	–
Proceeds from collections reinvested in revolving securitizations		89,385		
Repayments of servicing advances	3	–	1,065	–
Cash outflow information:				
Servicing advances	48	–	(1,125)	–
Purchase obligations and options:				
Mortgage loans under conditional call option	–	–	(20)	–
Representations and warranties obligations	–	–	(37)	–
Administrator or servicer actions	5	–	(56)	–
Asset performance conditional calls	–	–	(47)	–
Clean-up calls	(242)	–	(1.099)	–

Year Ended December 31,	2005				
			Mortgage Loans		
(Dollars in millions)	Retail Finance Receivables	Wholesale Loans	Residential	Commercial	Commercial Mortgage Securities
Pre-tax gains (losses) on securitizations	$ (2)	$ 543	$ 513	$ 68	$ 8
Cash inflow information:					
Proceeds from new securitizations	4,874	7,705	41,987	3,990	741
Servicing fees received	65	179	245	21	–
Other cash flows received on retained interests	249	503	583	262	42
Proceeds from collections reinvested in revolving securitizations	–	102,306	–	–	–
Repayments of servicing advances	43	–	1,115	198	–
Cash outflow information:					
Servicing advances	(46)	–	(1,163)	(188)	–
Purchase obligations and options:					
Mortgage loans under conditional call option	–	–	(9)	–	–
Representations and warranties obligations	–	–	(29)	–	–
Administrator or servicer actions	(76)	–	–	–	–
Asset performance conditional calls	–	–	(99)	–	–
Clean-up calls	(715)	–	(2,202)	–	–

Year Ended December 31,	2004				
			Mortgage Loans		
(Dollars in millions)	Retail Finance Receivables	Wholesale Loans	Residential	Commercial	Commercial Mortgage Securities
Pre-tax gains on securitizations	$ 9	$ 497	$ 602	$ 54	$ 11
Cash inflow information:					
Proceeds from new securitizations	1,824	9,188	29,412	2,108	935
Servicing fees received	105	174	208	20	–
Other cash flows received on retained interests	340	808	729	216	68
Proceeds from collections reinvested in revolving securitizations	–	91,360	–	–	–
Repayments of servicing advances	75	–	947	147	–
Cash outflow information:					
Servicing advances	(64)	–	(1,035)	(169)	–
Purchase obligations and options:					
Mortgage loans under conditional call option	–	–	(22)	–	–
Representations and warranties obligations	(1)	–	(66)	–	–
Administrator or servicer actions	(75)	–	–	–	–
Asset performance conditional calls	–	–	(137)	–	–
Clean-up calls	(269)	–	(3,797)	–	–

Note 10. Finance Receivables and Securitizations *(concluded)*

Key economic assumptions used in measuring the estimated fair value of retained interests of sales completed during the eleven months ended November 30, 2006 and the year ended December 31, 2005, as of the dates of such sales, were as follows:

	Eleven Months Ended November 30, 2006		Year Ended December 31, 2005			
				Mortgage Loans		
	Retail Finance Receivables (a)	**Residential Mortgage Loans** (b)	Retail Finance Receivables (a)	Residential (b)	Commercial	Commercial Mortgage Securities
Key assumptions (c) (rates per annum):						
Annual prepayment rate (d)	**0.9–1.7%**	**0.0–90.0%**	0.9–1.2%	0.0–60.0%	0.0–50.0%	0.0%
Weighted average life (in years)	**1.4–1.5**	**1.1–7.2**	1.6–1.7	1.1–8.5	0.3–8.6	5.9–9.9
Expected credit losses	**0.4–1.0**	**0.0–18.3**	0.4–1.6	0.0–4.9	0.0	0.0
Discount rate	**9.5–16.0%**	**7.0–25.0%**	9.5–15.0%	6.5–21.4%	4.2–10.7%	10.0–12.0%

(a) *The fair value of retained interests in wholesale securitizations approximates cost because of the short-term and floating rate nature of wholesale loans.*
(b) *Included within residential mortgage loans are home equity loans and lines, high loan-to-value loans, and residential first and second mortgage loans.*
(c) *The assumptions used to measure the expected yield on variable rate retained interests are based on a benchmark interest rate yield curve plus a contractual spread, as appropriate. The actual yield curve utilized varies depending on the specific retained interests.*
(d) *Based on the weighted average maturity for finance receivables and constant prepayment rate for mortgage loans and commercial mortgage securities.*

GM hedges interest rate and prepayment risks associated with certain of the retained interests; the effects of such hedge strategies have not been considered herein. Expected static pool net credit losses include actual incurred losses plus projected net credit losses divided by the original balance of the outstandings comprising the securitization pool. The table below displays the expected static pool net credit losses based on GM's securitization transactions.

	Loans Securitized in (a)		
Years Ended December 31,	**2006** (b)	2005	2004
Retail automotive	**0.7%**	0.6%	0.4%
Residential mortgage	**0.0–12.8%**	0.0–16.9%	0.0–26.1%
Commercial mortgage	**–**	0.0–3.4%	0.0–4.2%
Commercial investment securities	**–**	0.0–6.7%	0.0–39.5%

(a) *Static pool losses not applicable to wholesale finance receivable securitizations because of their short-term nature.*
(b) *Represents eleven months ended November 30, 2006.*

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

	Total Finance Receivables and Loans	Amount 60 Days or More Past Due	Net Credit Losses
(Dollars in millions)	December 31, 2005		
Retail automotive	$ 77,222	$ 892	$ 867
Residential mortgage	167,584	8,682	885
Total consumer	244,806	9,574	1,752
Wholesale	41,994	73	4
Commercial mortgage	43	–	4
Other automotive and commercial	23,996	575	33
Total commercial (a)	66,033	648	41
Total managed portfolio (b)	310,839	$10,222	$1,793
Securitized finance receivables and loans	(103,947)		
Loans held for sale (unpaid principal)	(21,882)		
Total finance receivables and loans	$ 185,010		

(a) *At December 31, 2005, excludes $26.3 billion of managed assets of GMAC's Commercial Mortgage business.*
(b) *Managed portfolio represent finance receivables and loans on the balance sheet or that have been securitized, excluding securitized finance receivables and loans that GMAC continues to service but has no other continuing involvement (i.e., in which GMAC retains an interest or risk of loss in the underlying receivables).*

Note 11. Inventories

Inventories included the following:

	December 31,	
(Dollars in millions)	**2006**	2005
Productive material, work in process, and supplies	**$ 5,810**	$ 5,512
Finished product, service parts, etc.	**9,619**	9,875
Total inventories at FIFO	**15,429**	15,387
Less LIFO allowance	**(1,508)**	(1,525)
Total inventories, less allowances	**13,921**	13,862
FIO Off-lease vehicles	**185**	503
Total consolidated inventories, less allowances	**$14,106**	$14,365

Inventories are stated at cost, which is not in excess of market. The cost of approximately 52% of U.S. inventories is determined by the last-in, first-out (LIFO) method. The cost of all other inventories is determined by either the first-in, first-out (FIFO) or average cost methods.

During 2006 and 2005, U.S. LIFO eligible inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 2006 and 2005 purchases, the effect of which decreased cost of goods sold by approximately $50 million in 2006 and $100 million in 2005.

Note 12. Equipment on Operating Leases

Equipment on operating leases and accumulated depreciation were as follows:

	December 31,	
(Dollars in millions)	**2006**	2005
Equipment on operating leases	**$ 6,629**	$ 7,629
Less accumulated depreciation	**(504)**	(636)
Net book value	**$ 6,125**	$ 6,993
Financing and Insurance Operations		
Equipment on operating leases	**$14,909**	$39,675
Less accumulated depreciation	**(3,115)**	(8,481)
Net book value	**11,794**	31,194
Total consolidated net book value	**$17,919**	$38,187

The lease payments to be received related to equipment on operating leases maturing in each of the five years following December 31, 2006, are as follows: Auto – none, as the payment is received at lease inception and the income is deferred over the lease period; FIO – 2007 – $2.2 billion; 2008 – $1.4 billion; 2009 – $534 million; 2010 – $56 million. There are no leases maturing after 2010.

Note 13. Income Taxes

Income (loss) before income taxes, equity income (loss) and minority interests and cumulative effect of a change in accounting principle included the following:

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
U.S. income (loss)	**$(5,203)**	$(16,028)	$(123)
Foreign income (loss)	**256**	(712)	978
Total	**$(4,947)**	$(16,740)	$ 855

The provision for income taxes was estimated as follows:

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
Income taxes estimated to be payable currently			
U.S. federal	**$ –**	$ (147)	$ (282)
Foreign	**1,096**	842	1,018
U.S. state and local	**21**	(2)	36
Total payable currently	**1,117**	693	772
Deferred income tax expense (credit) – net			
U.S. federal	**(2,498)**	(6,883)	(644)
Foreign	**(1,201)**	(655)	(1,232)
U.S. state and local	**(203)**	975	(22)
Total deferred	**(3,902)**	(6,563)	(1,898)
Total income taxes	**$(2,785)**	$(5,870)	$(1,126)

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examination of prior year tax returns. Cash paid for income taxes in 2006, 2005, and 2004 was $259 million, $305 million, and $293 million, respectively.

Provisions are made for estimated U.S. and foreign income taxes, less available tax credits and deductions, which may be incurred on the remittance of the Corporation's share of subsidiaries' undistributed earnings not deemed to be permanently reinvested. Taxes have not been provided on foreign subsidiaries' earnings, which are deemed permanently reinvested, of $8.5 billion at December 31, 2006 and $12.6 billion at December 31, 2005. Quantification of the deferred tax liability, if any, associated with permanently reinvested earnings is not practicable.

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

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
Tax at U.S. federal statutory income tax rate	**$(1,731)**	$(5,859)	$ 299
State and local tax expense	**$ (119)**	$ (600)	$ (952)
Foreign income taxed at rates other than 35%	**(525)**	(776)	(631)
Taxes on unremitted earnings of subsidiaries	**(124)**	(100)	(262)
Other tax credits	**(115)**	(69)	(41)
Settlement of prior year tax matters	**(160)**	(515)	(191)
Change in valuation allowance	**239**	2,780	1,553
ESOP dividend deduction (1)	**(23)**	(52)	(53)
Tax effects of foreign reorganizations	**96**	(84)	(483)
Medicare prescription drug benefit	**(352)**	(325)	(211)
Loss carryforward related to investment write-down	**–**	–	(168)
Other adjustments	**29**	(270)	14
Total income tax (benefit) expense	**$(2,785)**	$(5,870)	$(1,126)

(1) *Deduction for dividends paid on GM $1 2/3 par value common stock held under the employee stock ownership portion of the GM Savings Plans, pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001.*

Deferred income tax assets and liabilities for 2006 and 2005 reflect the effect of temporary differences between amounts of assets, liabilities, and equity for financial reporting purposes and the bases of such assets, liabilities, and equity as measured by tax laws, as well as tax loss and tax credit carryforwards.

Temporary differences and carryforwards that gave rise to deferred tax assets and liabilities included the following:

	December 31,			
	2006 Deferred Tax		2005 Deferred Tax	
(Dollars in millions)	**Assets**	**Liabilities**	Assets	Liabilities
Postretirement benefits other than pensions	**$18,609**	**$ –**	$12,757	$ –
Pension and other employee benefit plans	**5,044**	**6,137**	3,807	12,985
Warranties, dealer and customer allowances, claims, and discounts	**4,070**	**47**	6,739	52
Depreciation and amortization	**6,098**	**2,008**	5,713	2,584
Tax carryforwards	**13,293**	**–**	12,139	–
Lease transactions	**–**	**199**	–	4,351
Miscellaneous foreign	**2,992**	**40**	4,580	371
Other	**8,240**	**2,194**	10,922	3,677
Subtotal	**58,346**	**10,625**	56,657	24,020
Valuation allowances	**(6,523)**	**–**	(6,284)	–
Total deferred taxes	**$51,823**	**$10,625**	$50,373	$24,020
Net deferred tax assets	**$41,198**		$26,353	

The following deferred tax balances are included in the consolidated balance sheet:

	December 31,	
(Dollars in millions)	**2006**	2005
Current deferred tax assets	**$10,293**	$ 7,073
Current deferred tax liabilities	**(9)**	(1,208)
Non-current deferred tax assets	**31,639**	21,206
Non-current deferred tax liabilities	**(725)**	(718)
Total	**$41,198**	$26,353

Of the tax carryforwards at December 31, 2006, approximately 5% relates to the alternative minimum tax credit (which can be carried forward indefinitely), approximately 32% relates to U.S. federal net operating loss carryforwards and approximately 11% relates to the U.S. state net operating loss carryforwards, which will expire in 2007-2026 if not used. Approximately 84% of the U.S. state net operating loss carryforwards will not expire until after 2009. Approximately 29% of the tax carryforwards relate to general business credits (which consist primarily of research and experimentation credits) and U.S. foreign tax credits which will expire between 2007 and 2026 if not used. The remaining tax carryforwards relate to accumulated foreign operating losses of which approximately 77% can be carried forward indefinitely and the remaining 23% will expire by 2021.

GM has the following net deferred tax assets applicable to the following taxing jurisdictions where the Corporation's operations have a recent history of cumulative losses for financial reporting purposes:

Jurisdiction	**2006**	2005	Statutory Operating Loss Carryforward Period
United States	**$34,824**	$23,010	20 years/Unlimited
Canada	**3,068**	2,675	20 years/Unlimited
Germany	**2,496**	2,034	Unlimited
United Kingdom	**215**	299	Unlimited
Spain	**220**	230	15 years
Total	**$40,823**	$28,248	

Note 13. Income Taxes *(concluded)*

The need to establish valuation allowances for these net deferred tax assets is assessed periodically based on a more-likely-than-not realization threshold, in accordance with SFAS No. 109. Appropriate consideration is given to all positive and negative evidence related to that realization. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, GM's experience with tax attributes expiring unused, and tax planning alternatives. The weight given to these considerations depends upon the degree to which they can be objectively verified.

The valuation allowances that GM has recognized relate to certain U.S. state and foreign jurisdiction net deferred tax assets. The change in the valuation allowance and related considerations are as follows:

December 31,	**2006**	2005	2004
Beginning Balance	**$6,284**	$3,504	$1,951
Additions/(Utilization):			
U.S. State & Local	**250**	1,425	977
Poland	**6**	538	–
Sweden	**73**	109	155
Brazil	**(48)**	617	–
Korea	**(211)**	16	66
Other	**169**	75	355
Ending Balance	**$6,523**	$6,284	$3,504

United States & Canada – No valuation allowance has been established for GM's U.S. federal and Canadian net deferred tax assets, which GM believes will more likely than not be realized. This expectation is based in part on the fact that, while GM has incurred cumulative losses over the last three years in the United States and Canada, those losses were largely driven by GM's restructuring of GMNA and by foreign exchange. Accordingly, those losses are unusual in nature and the former were incurred in order to improve future profitability. In addition, consideration has been given to the lengthy period over which these net deferred tax assets can be realized, and GM's history of never having lost a significant U.S. federal or Canadian tax attribute through expiration. GM has also given consideration to its forecast of future profitability, which includes the following key elements:

- The launch of new sport utility vehicles and fullsize pickup trucks beginning in 2006, which are expected to produce substantially higher revenues and profits than the predecessor models in these segments in 2006;
- Reductions of GMNA's cost structure as a result of the implementation of its restructuring plan; and
- Participation in anticipated GMAC earnings in the United States

The anticipated outcome of these events is expected to improve North America operating results. At the forecast levels of future profitability, the U.S. federal and Canadian net deferred tax assets are considered more likely than not to be realizable over the periods that the underlying transactions become deductible for U.S. federal and Canadian tax purposes. If future events and/or the outcome of GM's cost reduction actions were to be significantly different than GM currently forecasts, a substantial valuation allowance for the U.S. and Canadian net deferred tax assets might be required.

An additional valuation allowance was recorded in 2006 related to the 2006 loss allocable to certain U.S. state jurisdictions where it has been previously determined that tax attributes related to those jurisdictions were not realizable.

Brazil – In 2005, it was determined that it is more-likely-than-not that the deferred taxes in GM's Brazilian operations would not be realized. Therefore, GM recorded a full valuation allowance against all tax credit carryforwards and net timing differences in Brazil. The decision was based on a consideration of historical results at GM's operations in Brazil coupled with the government-imposed 30% annual limitation on net operating loss utilization.

Germany and United Kingdom – No valuation allowances have been established for GM's net deferred tax assets in Germany or the United Kingdom. Although GM's German and UK operations have incurred cumulative losses in recent years, GM believes other considerations overcome that fact and, accordingly, their deferred tax assets will more-likely-than-not be realized. This determination is based in particular on the unlimited expiration of net operating loss carryforwards in Germany and the United Kingdom, together with those operations' histories of utilizing tax attributions in the past through earnings, and their strong prospects for future earnings.

Spain – No valuation allowance has been established for GM's Spanish net deferred tax assets, which GM believes will more-likely-than-not be realized. Spanish net operating loss carryforwards expire after 15 years, but losses in the Spanish operations have largely been caused by non-recurring transactions. In addition, GM believes its Spanish operations continue to have strong prospects for future earnings.

South Korea – A full valuation allowance has historically been recorded on the net deferred tax assets in South Korea. Several positive events occurred during 2006 leading GM to conclude that a valuation allowance is no longer necessary. The Corporation now expects continuing profitability in South Korea and that the net deferred tax asset is more likely than not to be realized.

GM has open tax years from primarily 1999 to 2006 with various significant taxing jurisdictions including the United States, Canada, Mexico, Germany, and Brazil. These open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, timing or inclusion of revenue and expenses or the sustainability of income tax credits for a given audit cycle. GM has established a liability of $2.8 billion for those matters where the amount of loss is probable and reasonably estimable. The amount of the liability is based on management's best estimate given the Corporation's history with similar matters and interpretations of current laws and regulations.

Note 14. Property – Net

Property – net was as follows:

(Dollars in millions)	Estimated Useful Lives (Years)	*December 31,* **2006**	2005
Land	–	**$ 1,235**	$ 1,222
Buildings and land improvements	2–40	**18,535**	16,278
Machinery and equipment	3–30	**51,017**	48,344
Construction in progress	–	**3,396**	4,099
Real estate, plants, and equipment		**74,183**	69,943
Less accumulated depreciation		**(43,440)**	(41,627)
Real estate, plants, and equipment – net		**30,743**	28,316
Special tools – net	1–10	**11,191**	10,227
Total property – net		**41,934**	38,543
Financing and Insurance Operations			
Equipment and other	2–10	**19**	2,902
Less accumulated depreciation		**(10)**	(1,154)
Total property – net		**9**	1,748
Total consolidated property – net		**$ 41,943**	$ 40,291

Note 14. Property – Net *(concluded)*

Depreciation, impairment and amortization expense was as follows:

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
Depreciation and impairments	**$ 4,622**	$ 5,517	$ 5,078
Amortization and impairment of special tools	**3,468**	4,516	3,562
Amortization of intangible assets	**69**	68	39
Total	**8,159**	10,101	8,679
Financing and Insurance Operations			
Depreciation (a)	**2,776**	5,680	5,512
Amortization of intangible assets	**15**	16	11
Total	**2,791**	5,696	5,523
Total consolidated depreciation, impairments and amortization	**$10,950**	$15,797	$14,202

(a) *Depreciation of property held by GMAC was ceased in April 2006 at the time the assets were classified as held for sale.*

In December 2006, GM sold its proving grounds facility in Mesa, Arizona for $283 million in cash and subsequently leased it back for a three year period. GM recognized a gain of $270 million.

Note 15. Goodwill and Intangible Assets

The components of intangible assets were as follows:

(Dollars in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
December 31, 2006			
Amortizing intangible assets:			
Patents and intellectual property rights	**$488**	**$169**	**$ 319**
Non-amortizing intangible assets:			
Goodwill			**799**
Total goodwill and intangible assets			**$1,118**
December 31, 2005			
Amortizing intangible assets:			
Patents and intellectual property rights	$488	$119	$ 369
Non-amortizing intangible assets:			
Goodwill			757
Prepaid pension asset			743
Total goodwill and intangible assets			$1,869
Financing and Insurance Operations			
Amortizing intangible assets:			
Customer lists and contracts	$ 57	$ 41	$ 16
Trademarks and other	35	20	15
Total	$ 92	$ 61	$ 31
Non-amortizing intangible assets:			
Goodwill			2,446
Total goodwill and intangible assets (Note 16)			2,477
Total consolidated goodwill and intangible assets			$4,346

Aggregate amortization expense on existing acquired intangible assets was $84 million for the year ended December 31, 2006. Estimated amortization expense in each of the next five years is as follows: 2007 – $57 million; 2008 – $50 million; 2009 – $46 million; 2010 – $23 million; and 2011 – $21 million.

The changes in the carrying amounts of goodwill for the years ended December 31, 2006 and 2005 were as follows:

(Dollars in millions)	GMNA	GME	Total Auto	GMAC	Total
Balance as of December 31, 2004	$154	$446	$600	$ 3,274	$ 3,874
Goodwill acquired during the period	238	–	238	22	260
Impairment (1)	–	–	–	(712)	(712)
Reclassification of Commercial Mortgage goodwill to assets held for sale (2)	–	–	–	(59)	(59)
Effect of foreign currency translation and other	(9)	(72)	(81)	(79)	(160)
Balance as of December 31, 2005	383	374	757	2,446	3,203
Goodwill acquired during the period (3)	**–**	**–**	**–**	**151**	**151**
Impairment (4)	**(25)**	**–**	**(25)**	**(828)**	**(853)**
Transfer of business unit	**(59)**	**59**	**–**	**–**	**–**
GMAC divestiture (5)	**–**	**–**	**–**	**(1,827)**	**(1,827)**
Effect of foreign currency translation and other	**–**	**67**	**67**	**58**	**125**
Balance as of December 31, 2006	**$299**	**$500**	**$799**	**$ –**	**$ 799**

(1) *In 2005, GMAC recorded an impairment charge of $712 million, related to the goodwill in its commercial mortgage business.*

(2) *At December 31, 2005, $59 million of GMAC's Commercial Mortgage goodwill was reclassified to assets held for sale.*

(3) *During 2006, GMAC recorded goodwill of $151 million primarily as a result of the purchase of a regional insurance company.*

(4) *With the changes in key personnel in the Commercial Finance business, GMAC initiated a goodwill impairment test, in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), outside of the annual goodwill impairment testing period. A thorough review of the business by the new leadership, with a particular focus on long-term strategy, was performed. As a result of the review, the operating divisions were reorganized, and the decision was made to implement a different exit strategy for the workout portfolio and to exit product lines with lower returns. These decisions had a significant impact on expected asset levels and growth rate assumptions used to estimate the fair value of the business. In particular, the analysis performed during the third quarter of 2006 incorporates management's decision to discontinue activity in the equipment finance business, which had a portfolio of over $1 billion, representing approximately 20% of Commercial Finance business average assets outstanding during 2006. The fair value of the Commercial Finance business was determined using an internally developed discounted cash flow analysis based on five year projected net income and a market driven terminal value multiple. Based upon the results of the assessment, an impairment charge of $828 million was recorded in 2006.*

(5) *On November 30, 2006, GM completed the sale of a 51% controlling interest in GMAC (See Note 4).*

Note 16. Other Assets

Other assets included the following:

	December 31,	
(Dollars in millions)	**2006**	2005
Derivative assets	**$2,080**	$ 1,938
Other	**2,504**	2,926
Total other assets	**$4,584**	$ 4,864
Financing and Insurance Operations		
Mortgage servicing rights	**$ –**	$ 4,015
Premiums and other insurance receivables	**–**	1,873
Deferred policy acquisition costs	**–**	1,696
Derivative assets	**–**	3,000
Intangible assets	**–**	2,477
Investment in GMAC Preferred Membership Interests (Note 7)	**1,601**	–
Property	**9**	1,748
Cash deposits held for securitization trusts	**709**	2,907
Restricted cash collections for securitization trusts	**434**	1,871
Other	**(484)**	5,570
Total other assets	**$2,269**	$25,157
Total consolidated other assets	**$6,853**	$30,021

Note 17. Accrued Expenses, Other Liabilities, and Deferred Income Taxes

Accrued expenses, other liabilities, and deferred income taxes included the following:

	December 31,	
(Dollars in millions)	**2006**	2005
Dealer and customer allowances, claims and discounts	**$10,142**	$11,593
Deferred revenue and deposits from rental car companies	**12,127**	13,527
Policy, product warranty, and recall campaigns	**9,064**	9,135
Delphi contingent liability	**1,451**	5,500
Payrolls and employee benefits excluding postemployment benefits	**4,013**	3,970
Self-insurance reserves	**1,922**	1,827
Taxes	**1,761**	2,430
Postemployment benefits – plant idling	**1,269**	2,012
Postretirement benefits other than pensions	**275**	4,154
Other	**9,158**	8,979
Total accrued expenses, other liabilities, and deferred income taxes	**$51,182**	$63,127
Current	**$35,225**	$42,697
Non-current	**15,957**	20,430
Total accrued expenses, other liabilities, and deferred income taxes	**$51,182**	$63,127
Financing and Insurance Operations		
Unpaid insurance losses, loss adjustment expenses, and unearned insurance premiums	**$ 125**	$ 7,588
Interest	**46**	3,057
Deposits	**–**	8,367
Interest rate derivatives	**2**	2,224
Deferred income taxes	**–**	1,184
Other	**752**	3,905
Total other liabilities and deferred income taxes	**$ 925**	$26,325

Policy, product warranty, recall campaigns and certified used vehicles liability included the following:

	December 31,	
(Dollars in millions)	**2006**	2005
Beginning balance	**$ 9,135**	$ 9,315
Payments	**(4,463)**	(4,696)
Increase in liability (warranties issued during period)	**4,517**	5,159
Adjustments to liability (pre-existing warranties)	**(570)**	(371)
Effect of foreign currency translation	**445**	(272)
Ending balance	**$ 9,064**	$ 9,135

Management reviews and adjusts these estimates on a regular basis based on the differences between actual experience and historical estimates or other available information.

Note 18. Short-Term Borrowings and Long-Term Debt

SHORT-TERM BORROWINGS

GM had short-term borrowings of $3.3 billion and $0.9 billion at December 31, 2006 and 2005, respectively. As of December 31, 2006, short-term borrowings included related party debt of $2.8 billion, mainly dealer financing from GMAC. Amounts available under short-term line of credit agreements were $4.5 billion and $2.4 billion at December 31, 2006 and 2005, respectively. The interest rate on short-term borrowings outstanding was 2.5% to 11.2% at December 31, 2006 and 1.1% to 9.2% at December 31, 2005.

LONG-TERM DEBT

Long-term debt consisted of the following:

	December 31,	
(Dollars in millions)	**2006**	2005
Unsecured bonds	**$16,119**	$16,406
Convertible bonds	**8,050**	8,050
Foreign-currency-denominated bonds	**4,479**	3,996
Other long-term debt	**6,824**	4,783
Total debt	**35,472**	33,235
Less current portion of long-term debt	**(2,341)**	(672)
Fair value adjustment (a)	**(64)**	17
Total long-term debt	**$33,067**	$32,580

(a) *To adjust hedged fixed rate debt for fair value changes attributable to the hedged risk in accordance with SFAS No. 133.*

Unsecured bonds represent obligations having various annual coupons ranging from 6.375% to 9.45% and maturities ranging from 2008 to 2052.

Convertible bonds include $1.2 billion principal amount of 4.5% Series A convertible senior debentures due in 2032 (Series A), $2.6 billion principal amount of 5.25% Series B convertible senior debentures due in 2032 (Series B), and $4.3 billion principal amount of 6.25% and Series C convertible senior debentures due in 2033 (Series C). GM has unilaterally and irrevocably waived and relinquished its right to use stock, and has committed to use cash, to settle the principal amount of the debentures if (1) holders choose to convert the debentures or (2) GM is required by holders to repurchase the debentures. GM retains the right to use either cash or stock to settle any amount that may become due to debt holders in excess of the principal amount. Conversion prices for the bonds are as follows: $70.20 for the Series A securities, $64.90 for the Series B securities, and $47.62 for the Series C securities. In 2007, Series A convertible debentures were put to GM and settled entirely in cash on March 6, 2007 for $1.1 billion. These convertible debentures are included in current portion of long-term debt at December 31, 2006.

Note 18. Short-Term Borrowings and Long-Term Debt *(concluded)*

The notes are convertible by the holder as outlined below:

- If the closing sale price of GM's $1 2/3 par value common stock exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter; or
- If during the five business day period after any nine consecutive trading day period in which the trading price of the debentures for each day of such period was less than 95% of the product of the closing sale price of GM's $1 2/3 par value common stock multiplied by the number of shares issuable upon conversion of $25.00 principal amount of the debentures; or
- If the debentures have been called for redemption (Series A on or after March 6, 2007, Series B on or after March 6, 2009 and Series C on or after July 20, 2010); or
- Upon the occurrence of specified corporate events

GM's requirement to repurchase all or a portion of the notes is described below:

- If the investor exercises its right to require GM to repurchase all or a portion of the debentures on the specified repurchase dates for each security (Series A: March 6, 2007, 2012, 2017, 2022, or 2027; Series B: March 6, 2014, 2019, 2024, or 2029; Series C: July 15, 2018, 2023 or 2028) or, if any of those days is not a business day, the next succeeding business day.

Foreign currency denominated bonds include Euro-denominated bonds with annual coupons ranging from 7.25% to 8.375% and maturity dates ranging from 2013 to 2033. Also, included within foreign-currency-denominated bonds are British Pounds bonds with annual coupons ranging from 8.375% to 8.875% and maturity dates ranging from 2015 to 2023. To mitigate the foreign exchange exposure created by this debt, GM enters into cross currency swaps. The notional values of these swaps was $2.4 billion in both 2006 and in 2005.

Other long-term debt of $6.8 billion and $4.8 billion at December 31, 2006 and 2005, respectively, consisted of municipal bonds, capital leases, and other long-term obligations.

GM also has a $4.6 billion standby revolving credit facility with a syndicate of banks, of which $150 million terminates in June 2008 and $4.5 billion terminates July 2011. There are approximately $69 million of letters of credit issued under the credit facility, but no loans are currently outstanding. Under the $4.5 billion secured facility, borrowings are limited to an amount based on the value of the underlying collateral, which consists of certain North American accounts receivable and inventory of GM, Saturn Corporation, and GM Canada, certain plants, property and equipment of GM Canada, and a pledge of 65% of the stock of the holding company for GM's indirect subsidiary GM de Mexico. In addition to the $4.5 billion secured line of credit, the collateral also secures certain lines of credit, automatic clearinghouse and overdraft arrangements, and letters of credit provided by the same secured lenders, totaling approximately $1.5 billion. In the event of certain work stoppages, the secured facility would be temporarily reduced to $3.5 billion.

GM's available long-term borrowings under line of credit arrangements with various banks totaled $4.7 billion and $5.6 billion at December 31, 2006 and 2005, respectively. The unused portion of the credit lines totaled $4.6 billion at December 31, 2006. In addition, GM's consolidated affiliates with non-GM minority shareholders, primarily GM Daewoo, have lines of credit with various banks that totaled $2.7 billion at December 31, 2006, all of which represented long-term facilities, compared with $2.5 billion at December 31, 2005. The unused portion of the credit lines totaled $1.6 billion at December 31, 2006.

To achieve its desired balance between fixed and variable debt, GM has entered into interest rate swaps. The notional amount of pay variable swap agreements as of December 31, 2006 and 2005 for Automotive was approximately $5.3 billion and $5.5 billion, respectively.

At December 31, 2006 and 2005, long-term unsecured bonds, convertible bonds, secured debt and capital lease obligations included $25.5 billion and $26.1 billion, respectively, of obligations with fixed interest rates and $7.6 billion and $6.5 billion, respectively, of obligations with variable interest rates (predominantly LIBOR), after interest rate swap agreements.

GM has other financing arrangements consisting principally of obligations in connection with sale/leaseback transactions and other lease obligations (including off-balance sheet arrangements). In view of the recent restatement of its prior financial statements, GM has evaluated the effect of its restatement under these agreements, including its legal rights (such as its ability to cure) with respect to any claims that could be asserted. Based on its review, GM believes that amounts subject to possible claims of acceleration, termination or other remedies are not likely to exceed $2.7 billion (consisting primarily of off-balance sheet arrangements) although no assurances can be given as to the likelihood, nature or amount of any claims that may be asserted. Based on this review, GM reclassified approximately $257 million of these obligations from long-term debt to short-term debt.

Long-term debt maturities including capital leases at December 31, 2006 are as follows: 2007 – $2.3 billion; 2008 – $2.8 billion; 2009 – $0.7 billion; 2010 – $0.2 billion; and 2011 – $1.7 billion.

FINANCING AND INSURANCE OPERATIONS

Debt consisted of the following:

	December 31,	
(Dollars in millions)	**2006**	2005
Short-term debt:		
Commercial paper	**$ –**	$ 528
Demand notes	**–**	6,047
Bank loans and overdrafts	**23**	6,652
Repurchase agreements and other	**–**	27,744
Long-term debt:		
Senior indebtedness	**–**	212,537
Related party – GMAC	**472**	–
Secured debt	**8,943**	–
Total debt	**$9,438**	$253,508

As described in Note 4, GMAC transferred to GM two bankruptcy-remote subsidiaries that hold a number of trusts that are parties to lease asset securitizations. The $9.4 billion of secured debt as of December 31, 2006 is primarily comprised of the asset-backed debt securities issued by these trusts as part of these lease securitizations.

To achieve its desired balance between fixed and variable debt, GM has entered into interest rate swaps and cap agreements with GMAC as the counterparty. The notional amount of such agreements as of December 31, 2006 for FIO was approximately $7.2 billion pay floating, and the variable interest rates ranged from 5.3% to 6.6%. The notional amount of such agreements as of December 31, 2005 for FIO were approximately $104.5 billion relating to swap agreements ($75.4 billion pay variable and $29.1 billion pay fixed). At December 31, 2005 certain of FIO's debt obligations are denominated in currencies other than the currency of the issuing country. These amounted to Canadian dollar ($8.1 billion), Euro ($6.6 billion), U.K. pound sterling ($6.1 billion) and Australian dollar ($1.4 billion).

Long-term debt maturities at December 31, 2006 are as follows: 2007 – $4.4 billion; 2008 – $3.8 billion; 2009 – $1.2 billion; 2010 – $0; and 2011 – $5 million.

Note 19. Pensions and Other Postretirement Benefits

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

GM also sponsors defined contribution retirement savings plans for hourly and salaried employees. GM matches contributions for U.S. salaried employees up to certain predefined limits based upon eligible base salary. GM suspended the Corporation's match effective January 1, 2006. GM reinstated the match for U.S. salaried employees effective January 1, 2007. In addition to the GM Matching Contribution, GM makes a contribution equal to 1% of eligible base salary for U.S. salaried employees with a service date on or after January 1, 1993 to cover certain benefits in retirement that are different from U.S. salaried employees with a service date prior to January 1, 1993. The charge to expense for these U.S. salaried contributions was $11.7 million in 2006, $65.2 million in 2005, and $112.8 million in 2004. In addition, GM established a new GM contribution to its Savings Stock Purchase Program (S-SPP) for U.S. salaried employees with a length of service date on or after January 1, 2001 effective January 1, 2007. GM will automatically contribute an amount equal to 4% of eligible base salary under this program. GM also provides contributions to certain international defined contribution plans. These contributions are immaterial for all periods presented.

Additionally, GM maintains hourly and salaried benefit plans that provide postretirement medical, dental, vision, and life insurance to most U.S. and Canadian retirees and eligible dependents. The cost of such benefits is recognized in the consolidated financial statements during the period employees provide service to GM. Certain non-U.S. subsidiaries have postretirement benefit plans, although most participants are covered by government sponsored or administered programs. The cost of such programs generally is not significant to GM.

GM also provides post-employment extended disability benefits comprised of income security, health care, and life insurance to U.S. and Canadian employees who become disabled and can no longer actively work. The cost of such benefits is recognized during the period employees provide service.

In September 2006, the FASB issued SFAS No. 158, which requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements as of the year ending after December 15, 2006. GM recognized the funded status of its benefit plans at December 31, 2006. SFAS No. 158 also requires the measurement date for plan assets and liabilities to coincide with the sponsor's year end. GM has elected to early adopt the measurement-date provisions of SFAS No. 158, which requires new measurement dates coinciding with GM's year end for all plans, in 2007 using the "two-measurement" approach. Under this approach, GM will perform a measurement using the prior year year-end reporting covering the period between the previous measurement date and December 31, 2006, with the net benefit expense/income for that period recorded as an adjustment to beginning retained earnings at January 1, 2007. GM will then perform another measurement at January 1, 2007 to determine the net benefit expense/income that will be recorded in 2007. The changes in fair value of plan assets and benefit obligations between the prior measurement date and January 1, 2007 will be recorded as an adjustment to accumulated other comprehensive income, net of taxes at January 1, 2007. In adopting the measurement date provisions in 2007, GM will record an adjustment to retained earnings of $0.7 billion and accumulated other comprehensive income of $2.1 billion as of January 1, 2007.

The incremental effect of applying the recognition provisions of SFAS No. 158 on the individual line items in the consolidated balance sheet as of December 31, 2006 are as follows:

(Dollars in millions)	Prior to Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Deferred income taxes and other current assets	$ 1,122	$ 10,835	$ 11,957
Intangible assets, net	1,578	(460)	1,118
Prepaid pension	33,949	(16,583)	17,366
Total assets	192,400	(6,208)	186,192
Accrued expenses	38,842	(3,617)	35,225
Postretirement benefits other than pensions	36,050	14,036	50,086
Pensions	11,541	393	11,934
Other liabilities and deferred income taxes	16,031	(74)	15,957
Total liabilities	179,705	10,738	190,443
Accumulated other comprehensive loss	(5,108)	(16,946)	(22,126)
Total stockholders' equity	11,505	(16,946)	(5,441)
Total liabilities, minority interests and stockholders' equity	$192,400	$ (6,208)	$186,192

GM's funding policy with respect to its qualified pension plans is to contribute annually not less than the minimum required by applicable law and regulations, or to directly pay benefit payments where appropriate. GM made pension contributions to the U.S. hourly and salaried, other U.S., and non-U.S. pension plans, or made direct payments where appropriate, as follows:

	December 31,		
(Dollars in millions)	**2006**	2005	2004
U.S. hourly and salaried	**$ 2**	$ –	$ –
Other U.S.	**78**	125	117
Non-U.S.	**889**	708	802

In 2007, GM does not have any contributions due for its U.S. hourly or salaried pension plans. GM does not expect to make any discretionary contributions into the U.S. hourly and salaried pension plans in 2007. GM expects to contribute or pay benefits of approximately $100 million to its other U.S. pension plans and $600 million to its primary non-U.S. pension plans, which include GM of Canada Limited, Adam Opel, and Vauxhall.

GM contributes to its U.S. hourly and salaried Voluntary Employees Beneficiary Association (VEBA) trusts for OPEB plans. There were no contributions made by GM to the VEBA trust during 2006 and 2005. Contributions by participants to the other OPEB plans were $129 million, $89 million and $87 million for 2006, 2005 and 2004, respectively. GM withdrew a total of $4.1 billion and $3.2 billion from plan assets of its VEBA trusts for OPEB plans in 2006 and 2005, respectively.

Note 19. Pensions and Other Postretirement Benefits *(continued)*

GM uses a December 31 measurement date for the majority of its U.S. pension plans and a September 30 measurement date for U.S. OPEB plans. GM's measurement dates for its Canadian, Adam Opel and Vauxhall Motors primary pension plans are November 30, September 30 and September 30, respectively. GM's measurement dates for its Canadian and South African OPEB plans are December 31. As discussed above, with the adoption of the measurement-date provisions of SFAS No. 158 in 2007, all plans will have a December 31 measurement date which coincides with GM's year-end.

	U.S. Plans Pension Benefits		Non-U.S. Plans Pension Benefits		U.S. Other Benefits*		Non-U.S. Other Benefits*	
(Dollars in millions)	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Change in benefit obligations								
Benefit obligation at beginning of year	**$ 89,133**	$90,760	**$ 20,850**	$ 18,056	**$ 81,181**	$73,772	**$ 3,760**	$ 3,702
Service cost	**727**	1,117	**484**	345	**551**	702	**53**	50
Interest cost	**4,965**	4,883	**967**	965	**3,929**	4,107	**190**	218
Plan participants' contributions	**19**	22	**30**	27	**129**	88	**–**	1
Amendments	**(1,960)**	(65)	**(669)**	113	**(15,091)**	–	**–**	–
Actuarial (gains) losses	**(3,682)**	(975)	**524**	2,233	**(6,468)**	6,720	**(145)**	(200)
Benefits paid	**(7,013)**	(6,695)	**(1,049)**	(922)	**(3,945)**	(4,208)	**(133)**	(118)
Exchange rate movements	**–**	–	**1,250**	(942)	**–**	–	**–**	–
Curtailments, settlements, and other	**3,233**	86	**151**	975	**4,012**	–	**(18)**	107
Benefit obligation at end of year	**85,422**	89,133	**22,538**	20,850	**64,298**	81,181	**3,707**	3,760
Change in plan assets								
Fair value of plan assets at beginning of year	**95,250**	90,886	**10,063**	9,023	**20,282**	16,016	**–**	–
Actual return on plan assets	**13,384**	10,924	**1,280**	1,382	**1,834**	2,258	**–**	–
Employer contributions	**80**	125	**810**	645	**(5,177)**	2,008	**–**	–
Plan participants' contributions	**19**	22	**30**	27	**–**	–	**–**	–
Benefits paid	**(7,013)**	(6,695)	**(1,049)**	(922)	**–**	–	**–**	–
Exchange rate movements	**–**	–	**435**	(119)	**–**	–	**–**	–
Curtailments, settlements, and other	**(328)**	(12)	**(63)**	27	**–**	–	**–**	–
Fair value of plan assets at end of year	**101,392**	95,250	**11,506**	10,063	**16,939**	20,282	**–**	–
Funded status (1)	**15,970**	6,117	**(11,032)**	(10,787)	**(47,359)**	(60,899)	**(3,707)**	(3,760)
Unrecognized actuarial loss	**–**	25,538	**–**	6,554	**–**	30,592	**–**	1,698
Unrecognized prior service cost (credit)	**–**	4,616	**–**	770	**–**	(714)	**–**	(584)
Unrecognized transition obligation	**–**	–	**–**	28	**–**	–	**–**	–
Employer contributions/withdrawals in fourth quarter	**–**	–	**142**	63	**(60)**	(1,176)	**–**	–
Benefits paid in fourth quarter	**–**	–	**–**	–	**765**	846	**–**	–
Curtailments and settlements in fourth quarter	**–**	–	**17**	–	**–**	–	**–**	–
Net amount recognized	**$ 15,970**	$36,271	**$(10,873)**	$ (3,372)	**$(46,654)**	$(31,351)	**$(3,707)**	$(2,646)
Amounts recognized in the consolidated balance sheet consist of:								
Prepaid benefit cost		$37,280		$ 296		$ –		$ –
Accrued benefit liability		(1,177)		(10,138)		(31,351)		(2,646)
Intangible asset		–		743		–		–
Accumulated other comprehensive income		168		5,727		–		–
Net amount recognized		$36,271		$ (3,372)		$(31,351)		$(2,646)
Noncurrent Asset	**$ 17,150**		**$ 216**		**$ –**		**$ –**	
Current liability	**(85)**		**(250)**		**(134)**		**(141)**	
Noncurrent liability	**(1,095)**		**(10,839)**		**(46,520)**		**(3,566)**	
	$ 15,970		**$(10,873)**		**$(46,654)**		**$(3,707)**	
Amounts recognized in accumulated other comprehensive income consist of:								
Net actuarial loss	**$ 15,483**		**$ 6,478**		**$ 21,957**		**$ 1,406**	
Net prior service cost (credit)	**1,165**		**13**		**(12,450)**		**(501)**	
Transition obligation (asset)	**–**		**25**		**–**		**–**	
	$ 16,648		**$ 6,516**		**$ 9,507**		**$ 905**	

* *Table does not include extended disability plans with a total APBO of $866 million at December 31, 2006 and $1.1 billion at December 31, 2005 due to materiality.*

(1) *Includes overfunded status of the combined U.S. hourly and salaried pension plans of $17.1 billion and $7.5 billion as of December 31, 2006 and 2005.*

The total accumulated benefit obligation, the accumulated benefit obligation and fair value of plan assets for GM's pension plans with accumulated benefit obligations in excess of plan assets, and the projected benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets are as follows:

	U.S. Plans		Non-U.S. Plans	
(Dollars in millions)	**2006**	2005	**2006**	2005
Accumulated Benefit Obligation	**$85,422**	$86,885	**$21,926**	$19,923
Plans with ABO in excess of plan assets				
ABO	**$ 1,180**	$ 1,207	**$21,429**	$19,441
Fair value of plan assets	**–**	30	**10,769**	9,387
Plans with PBO in excess of plan assets				
PBO	**$ 1,180**	$ 1,703	**$22,270**	$20,724
Fair value of plan assets	**–**	295	**11,155**	9,759

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

	U.S. Plans Pension Benefits			Non-U.S. Plans Pension Benefits		
(Dollars in millions)	**2006**	2005	2004	**2006**	2005	2004
Components of expense						
Service cost	**$ 727**	$ 1,117	$ 1,097	**$ 484**	$ 345	$ 247
Interest cost	**4,965**	4,883	5,050	**966**	965	892
Expected return on plan assets	**(8,167)**	(7,898)	(7,823)	**(842)**	(740)	(669)
Amortization of prior service cost (credit)	**785**	1,164	1,279	**78**	102	93
Amortization of transition obligation/(asset)	**–**	–	–	**7**	6	7
Recognized net actuarial loss	**1,126**	2,065	1,857	**399**	281	188
Curtailments, settlements, and other	**4,260**	115	34	**140**	114	204
Net expense	**$ 3,696**	$ 1,446	$ 1,494	**$1,232**	$1,073	$ 962
Weighted-average assumptions used to determine benefit obligations at December 31 (1)						
Discount rate	**5.90%**	5.70%	5.60%	**4.76%**	4.72%	5.61%
Rate of compensation increase	**5.00%**	4.9%	5.0%	**3.0%**	3.1%	3.2%
Weighted-average assumptions used to determine net expense for years ended December 31 (2)						
Discount rate	**5.70%**	5.60%	6.00%	**4.72%**	5.61%	6.12%
Expected return on plan assets	**9.0%**	9.0%	9.0%	**8.4%**	8.5%	8.4%
Rate of compensation increase	**4.9%**	5.0%	5.0%	**3.1%**	3.2%	3.4%

	U.S. Other Benefits*			Non-U.S. Other Benefits*		
(Dollars in millions)	**2006**	2005	2004	**2006**	2005	2004
Components of expense						
Service cost	**$ 551**	$ 702	$ 566	**$ 53**	$ 50	$ 39
Interest cost	**3,929**	4,107	3,726	**190**	218	201
Expected return on plan assets	**(1,593)**	(1,684)	(1,095)	**–**	–	–
Amortization of prior service cost (credit)	**(1,071)**	(70)	(87)	**(82)**	8	8
Amortization of transition obligation/(asset)	**–**	–	–	**–**	–	–
Recognized net actuarial loss	**1,986**	2,250	1,138	**133**	88	62
Curtailments, settlements, and other	**(505)**	–	–	**(9)**	2	–
Net expense	**$ 3,297**	$ 5,305	$ 4,248	**$ 285**	$ 366	$ 310
Weighted-average assumptions used to determine benefit obligations at December 31 (1)						
Discount rate	**5.90%**	5.45%	5.75%	**5.00%**	5.00%	6.00%
Rate of compensation increase	**4.6%**	4.2%	3.9%	**4.0%**	4.0%	4.0%
Weighted-average assumptions used to determine net expense for years ended December 31 (2)						
Discount rate	**5.45%**	5.75%	6.25%	**5.00%**	6.00%	6.75%
Expected return on plan assets	**8.8%**	8.8%	8.0%	**–**	–	–
Rate of compensation increase	**4.2%**	3.9%	4.2%	**4.0%**	4.0%	4.0%

* *Table does not include extended disability plans with a total net expense of $105 million (excluding curtailments) in 2006, $79 million in 2005, and $64 million in 2004 due to materiality.*

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

(2) *Determined as of beginning of year. Appropriate discount rates were used during 2006 to measure the effects of curtailments and plan amendments on various plans.*

The following are estimated amounts to be amortized from accumulated comprehensive income into net periodic benefit cost during 2007 based on December 31, 2006 and January 1, 2007 plan measurements (dollars in millions):

	U.S. Plans Pension Benefits	Non-U.S. Plans Pension Benefits	U.S. Other Benefits	Non-U.S. Other Benefits
Amortization of prior service cost (credit)	$ 519	$ 27	$(1,845)	$(82)
Amortization of transition obligation (asset)	–	7	–	–
Recognized net actuarial loss (gain)	810	329	1,357	115
	$1,329	$363	$ (488)	$ 33

On February 7, 2006, GM announced it would increase the U.S. salaried workforce's participation in the cost of health care, capping GM's contributions to salaried retiree health care at the level of 2006 expenditures. The remeasurement of the U.S. salaried OPEB plans as of February 9, 2006 as a result of these benefit modifications generated a $0.5 billion reduction in OPEB expense for 2006 and is reflected in the components of expense table above. This remeasurement reduced the U.S. accumulated postretirement benefit obligation (APBO) by $4.7 billion.

On March 7, 2006, GM announced it would modify the terms of the U.S. salaried pension plan to freeze benefits under the current plan as of December 31, 2006 and implement a new plan using a new pension formula thereafter. The remeasurement of GM's U.S. salaried pension plans as of March 31, 2006 as a result of these benefit modifications generated a $0.4 billion reduction in pension expense for 2006 and is reflected in the components of expense table above. This remeasurement reduced the U.S. projected benefit obligation (PBO) by $2.8 billion.

Effective March 31, 2006, the U.S. District Court for the Eastern District of Michigan approved the tentative settlement agreement with the UAW (UAW Settlement Agreement) related to reductions in hourly retiree health care; this approval is now under appeal. The UAW Settlement Agreement will remain in effect until at least September 2011, after which either GM or the UAW may cancel the agreement upon 90 days written notice. Similarly, GM's contractual obligations to provide health care benefits to UAW hourly retirees extends to at least September 2011 and will continue thereafter until terminated by either GM or the UAW. As a result, the provisions of the UAW Settlement Agreement will continue in effect for the UAW retirees beyond the expiration in September 2007 of the current collective bargaining agreement between GM and the UAW.

Given the significance of the effect of the UAW Settlement Agreement, the plans were remeasured. The remeasurement of the U.S. hourly OPEB plans as of March 31, 2006 due to the UAW Settlement Agreement generated a $1.3 billion reduction in OPEB expense for 2006 and is reflected in the components of expense table above. This remeasurement reduced the U.S. APBO by $14.5 billion.

GM accounted for the reduced health care coverage provisions of the UAW Settlement Agreement as an amendment of GM's Health Care Program for Hourly Employees (Modified Plan). GM previously estimated that the reduced health care coverage provisions of the UAW Settlement Agreement would result in an approximately $15 billion reduction of GM's OPEB obligations related to the Modified Plan. In conjunction with the measurement of the Modified Plan as of March 31, 2006, the estimated reduction of GM's OPEB obligations increased from $15 billion to $17.4 billion attributable primarily to an increase in the discount rate utilized in the March 31, 2006 measurement. The Modified Plan APBO reduction of $17.4 billion is being amortized on a straight-line basis over the remaining service lives of active UAW hourly employees (7.4 years) as a reduction of OPEB expense. This reduction of expense will be partially offset by the amortization over the same period of $2.9 billion related to capped benefits expected to be paid from contributions to the Mitigation Plan as discussed below, and the expense related to previously negotiated wage increases for active employees now diverted to the Mitigation Plan.

As mentioned above, the UAW Settlement Agreement also provides that GM make contributions to a new independent VEBA (Mitigation Plan). The assets of the Mitigation Plan will be used to mitigate the effect of reduced GM health care coverage on individual UAW retirees and, depending on the level of mitigation, are expected to be available for a number of years. The new independent Mitigation Plan is being partially funded by GM contributions of $1 billion in each of 2006, 2007 and 2011. The 2011 contribution may be accelerated under specified circumstances. GM will also make future contributions subject to provisions of the UAW Settlement Agreement that relate to profit sharing payments, increases in the value of a notional number of shares of GM's $1 2/3 par value common stock (collectively, the Supplemental Contributions), as well as wage deferral payments and dividend payments.

GM's obligation to make contributions to the Mitigation Plan are fixed or determined by a formula as defined in the UAW Settlement Agreement. GM's obligations are limited to these contributions. GM is not obligated to provide incremental funding in the event of an asset shortfall in the Mitigation Plan and the UAW Settlement Agreement further provides that the ability of the assets in the Mitigation Plan to mitigate retiree health care costs is not guaranteed by GM. Furthermore, the Mitigation Plan is completely independent of GM and is administered by an independent trust committee (the Committee) which shall not include any GM representatives. The assets of the independent VEBA trust for UAW retirees of GM are the responsibility of the Committee, which has full fiduciary responsibility for the investment strategy, safeguarding of assets and execution of the benefit plan as designed.

GM accounted for the Mitigation Plan as a defined benefit plan, with a cap on GM's OPEB obligation under the plan limited to the present value of the three $1 billion cash payments and minimum Supplemental Contributions required by the Settlement Agreement. The present value of GM's obligation to the Mitigation plan of $2.9 billion will be amortized on a straight-line basis over the remaining service lives of active UAW hourly employees (7.4 years) as OPEB expense. Payments from GM to the Mitigation Plan related to wage deferrals, dividends or changes in the estimate of Supplemental Contributions will be recorded as an expense in the quarter that the hours are worked, the dividend is declared, or the change in estimate occurs, respectively. GM will recognize the expense for the wage deferrals as the future services are rendered, since the active-UAW represented-hourly-employees elected to forgo contractual wage increases and have those amounts contributed to the Mitigation Plan. During 2006, as required in the UAW Settlement Agreement, GM made a $1 billion contribution to the Mitigation Plan.

Note 19. Pensions and Other Postretirement Benefits *(continued)*

As of the measurement date, the Mitigation Plan had a benefit obligation totaling $2.8 billion and plan assets totaling $0.9 billion, as detailed in the table below. The ($1.9) billion net underfunded status of the Mitigation Plan is reflected GM's financial statements and in the Changes in Benefit Obligation (under "U.S. Other Benefits") in the table above. The following represent the changes in plan assets and benefit obligation of the Mitigation Plan for the year ended December 31, 2006 (dollars in millions):

Changes in Benefit Obligation	
Benefit obligation at beginning of year	$ –
Interest cost	56
Amendments	2,876
Actuarial (gains)/losses	7
Benefits paid	(119)
Other	(15)
Benefit obligation at end of year	$2,805
Changes in Plan Assets	
Fair value at beginning of year	$ –
GM contributions	1,000
Wage deferral contributions	4
Mitigation payments on behalf of GM retirees	(119)
Actual return on plan assets	29
Fair value at end of year	$ 914

As detailed in Note 6, GM, Delphi, and the UAW reached an agreement on March 22, 2006 intended to reduce the number of U.S. hourly employees through the Attrition Program. As a result of the Attrition Program, GM has recognized curtailment losses under SFAS No. 88 and SFAS No. 106 due to the significant reduction in the expected aggregate years of future service of the employees in the U.S. hourly pension, OPEB and extended disability plans, respectively. The curtailment losses include recognition of the change in the PBO or APBO and a portion of the previously unrecognized prior service cost reflecting the reduction in expected future service. GM recognized a curtailment loss related to the U.S. hourly pension plan of approximately $4.4 billion at April 30, 2006. GM recognized a curtailment loss of $23 million in 2006 related to the U.S. hourly OPEB plans measured at May 31, 2006. GM recognized a curtailment gain of $132 million related to the U.S. hourly extended disability plan measured at June 30, 2006. The impacts for the pension and OPEB plans are reflected in the components of expense table above.

The remeasurement of GM's U.S. hourly pension plan as of April 30, 2006 as a result of the Attrition Program generated a $0.7 billion reduction in pension expense for 2006. This remeasurement reduced the U.S. pension PBO by $1.2 billion. The remeasurement of the U.S. hourly OPEB plans as of May 31, 2006 as a result of the Attrition Program generated an approximate $143 million reduction in OPEB expense for 2006. This remeasurement reduced the U.S. OPEB APBO by $0.7 billion. The effects of these restatements are reflected in the components of expense table above.

In October 2006, the GM Board of Directors approved a reduction in the levels of coverage for corporate-paid life insurance for salaried retirees. For eligible salaried employees who retire on or after May 1, 2007, coverage will reduce by 50% on the tenth anniversary of their retirement date, and salaried employees who retire before May 1, 2007 will have their coverage reduced by 50% on January 1, 2017. This change reduced GM's year-end U.S. OPEB APBO by $0.5 billion and will be reflected in 2007 OPEB expense.

On November 30, 2006, GM sold a 51% controlling interest in GMAC. As a result of the sale, GMAC salaried employees will have their pension benefits frozen under the current GM pension plans. The remeasurement of GM's U.S. salaried pension plans as of November 30, 2006 as a result of this benefit modification generated a $0.1 billion curtailment gain and $8 million reduction in pension expense for 2006. This remeasurement increased the U.S. PBO by $0.2 billion. GM will also maintain the salaried OPEB obligation for current GMAC retirees and OPEB eligible employees. GMAC employees who were non-OPEB eligible were offered a cash lump sum payment based on credited service in lieu of GM provided OPEB at their date of retirement. The remeasurement of the U.S. and non-U.S. OPEB plans as of November 30, 2006 as a result of these modifications generated a $563 million curtailment gain, $27 million settlement loss, and $536 million reduction in OPEB expense for 2006. This remeasurement reduced the U.S. and Non-U.S. APBO by $0.1 billion. The impact to extended disability benefits generated a curtailment gain of $14 million.

GM sets the discount rate assumption annually for each of its retirement-related U.S. benefit plans at their respective measurement dates to reflect the yield of a portfolio of high quality, fixed-income debt instruments that would produce cash flows sufficient to defease projected future benefits. GM has established for its U.S. pension plans and U.S. OPEB plans a discount rate of 5.90% for year-end 2006.

	December 31,	
Assumed Health-Care Trend Rates at December 31	**2006**	2005
Initial Health-care Cost Trend Rate	**9.0%**	10.0%
Ultimate Health-care Cost Trend Rate	**5.0%**	5.0%
Number of Years to Ultimate Trend Rate	**6**	6

A one percentage point increase in the assumed health care trend rates for all future periods would have increased the U.S. APBO by $6.0 billion at December 31, 2006 and the U.S. aggregate service and interest cost components of non-pension postretirement benefit expense for 2006 by $502 million. A one percentage point decrease would have decreased the U.S. APBO by $5.0 billion and the U.S. aggregate service and interest cost components of non-pension postretirement benefit expense for 2006 by $413 million.

GM's long-term strategic mix among asset classes and the expected return on asset assumptions for its U.S. pension plans are derived from detailed periodic studies conducted by GM's outside actuaries and GM's asset management group. The U.S. study includes a review of alternative asset allocation strategies, anticipated future long-term performance of individual asset classes, risks (standard deviations) and correlations among the asset classes that comprise the plans' asset mix. The primary non-U.S. plans conduct similar studies in conjunction with local actuaries and asset managers. While the studies give appropriate consideration to recent fund performance and historical returns, the assumptions are primarily long-term, prospective rates of return.

Based on a study performed in 2006, GM's asset management group has commenced implementation of certain changes in the long-run strategic asset allocations of the U.S. pension plans. Specifically, the target allocations have been modified to increase the fixed income exposure by 20% of total plan assets and to reduce the equity exposure by a corresponding amount. This change in strategic asset allocation is intended to significantly lower the expected volatility of asset returns and plan funded status, as well as the probability of future contribution requirements. In setting the new strategic asset mix, GM considered the likelihood that the selected mix would effectively fund the projected pension plan liabilities while aligning with the risk tolerance of the plans' fiduciaries. GM's strategic asset mix for U.S. pension plans is intended to reduce exposure to equity market risks, to utilize asset classes which reduce surplus volatility, and to utilize asset classes where active management has historically generated excess returns above market returns. This asset mix is

Note 19. Pensions and Other Postretirement Benefits *(concluded)*

intended to place greater emphasis on investment manager skills than on general market returns to produce expected long-term returns, while employing various risk mitigation strategies to reduce surplus volatility. Based on the new target asset allocations and a re-examination of expected asset return assumptions, GM revised its expected long-term annual return rate assumption for its U.S. plans effective January 1, 2007 to 8.5%, a reduction from its previous level of 9.0%. When the new strategic mix is fully implemented, GM's U.S. pension assets will have the following target allocation relative to total assets: global equity, ~29%; global bonds, ~52%; real estate, ~8%; and alternative investments, ~11%. In 2006, GM's target allocations for such assets were: global equity, ~49%; global bonds, ~32%; real estate, ~8%; and alternative investments, ~11%.

In 2004, GM made significant contributions to its hourly VEBA plan and adopted a new investment policy to manage VEBA plan assets under a single investment policy with an expanded range of asset classes. The hourly VEBA is managed to achieve long-term asset returns while maintaining adequate liquidity for reimbursement of benefit payments, as needed. The new asset allocation was implemented on October 1, 2004. In addition, in late 2004, a new salaried VEBA plan was created and funded. It is primarily invested in shorter-term liquid securities. For 2006, the expected annual return for the hourly VEBA plan was 9.0% and the expected annual return for the salaried VEBA plan was 4.5%. Based on a reexamination of expected long-term asset return assumptions, GM revised its expected long-term annual return assumptions effective January 1, 2007 for the hourly VEBA and salaried VEBA plans to 8.5% and 6.0%, respectively.

U.S. and non-U.S. pension plans and OPEB plans have the following asset allocations, as of their respective measurement dates in 2006 and 2005:

	Plan Assets U.S. Pension Plans Actual Percentage of Plan Assets		Plan Assets Primary Non-U.S.Pension Plans Actual Percentage of Plan Assets		Plan Assets OPEB Actual Percentage of Plan Assets	
Asset Category	**2006**	2005	**2006**	2005	**2006**	2005
Equity Securities	**38%**	47%	**60%**	61%	**54%**	52%
Debt Securities	**43%**	32%	**31%**	31%	**28%**	31%
Real Estate	**8%**	7%	**9%**	8%	**4%**	3%
Other	**11%**	14%	**0%**	0%	**14%**	14%
Total	**100%**	100%	**100%**	100%	**100%**	100%

Equity securities include GM common stock in the amounts of $24 million (less than 1% of total pension plan assets) and $11 million (less than 1% of total pension plan assets) at December 31, 2006 and 2005, respectively.

The following benefit payments, which includes assumptions related to estimated future employee service, as appropriate, are expected to be paid in the future:

	Pension Benefits*		Other Benefits		Non-U.S. Other Benefits	
(Dollars in millions)	U.S. Plans	Primary Non-U.S. Plans	Gross Benefit Payments	Gross Medicare Part D Receipts	Gross Benefit Payments	Gross Medicare Part D Receipts
2007	7,270	956	3,994	243	146	–
2008	7,142	1,027	4,163	268	157	–
2009	7,037	1,056	4,327	292	167	–
2010	6,959	1,097	4,475	314	177	–
2011	6,890	1,140	4,589	335	187	–
2012–2016	$33,356	$6,161	$24,050	$1,966	$1,087	–

* *Benefits for most U.S. pension plans and certain non-U.S. pension plans are paid out of plan assets rather than cash.*

Note 20. Commitments and Contingent Matters

COMMITMENTS

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

	2007	2008	2009	2010	2011	2012 and thereafter
Minimum commitments	$257	$748	$440	$141	$ 94	$ 824
Sublease income	(28)	(27)	(27)	(27)	(27)	(444)
Net minimum commitments	$229	$721	$413	$114	$ 67	$ 380

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

	2007	2008	2009	2010	2011	2012 and thereafter
Minimum commitments	$ 765	$ 678	$ 651	$ 642	$ 553	$ 3,081
Sublease income	(230)	(222)	(217)	(213)	(212)	(2,293)
Net minimum commitments	$ 535	$ 456	$ 434	$ 429	$ 341	$ 788

Note 20. Commitments and Contingent Matters *(continued)*

Certain of these minimum commitments fund the obligations of non-consolidated VIEs. Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were $1.2 billion, $1.0 billion, and $973 million in 2006, 2005, and 2004, respectively.

GM sponsors a credit card program, entitled the GM Card program, which offers rebates that can be applied primarily against the purchase or lease of GM vehicles. The amount of rebates available to qualified cardholders net of deferred program income was $4.9 billion and $4.7 billion at December 31, 2006 and 2005, respectively.

GUARANTEES

GM has provided guarantees in relation to the residual value of certain operating leases, primarily related to the lease of GM's corporate headquarters. At December 31, 2006, the maximum potential amount of future undiscounted payments that could be required to be made under these guarantees amount to $624 million. Years of expiration pertaining to these guarantees range from 2008 to 2018, and certain of the leases contain renewal options.

GM has agreements with third parties that guarantee the fulfillment of certain suppliers' commitments. At December 31, 2006, the maximum potential amount of future undiscounted payments that could be required to be made under these guarantees amount to $61 million. Years of expiration pertaining to these guarantees range from 2007 to 2035. Other guarantees with a maximum potential amount of future undiscounted payments that could be required amounted to $4 million with the period of expiration determined by business conditions, i.e., emergence from bankruptcy or the sale of the business.

In addition, in some instances, certain assets of the party whose debt or performance is guaranteed may offset, to some degree, the effect of the triggering of the guarantee. The offset of certain payables of GM may also apply to certain guarantees. Accordingly, no liabilities were recorded with respect to such guarantees.

GM also provides payment guarantees on commercial loans made by GMAC and outstanding with certain third-party customers, primarily related to rental car companies. As of December 31, 2006 maximum commercial obligations guaranteed by GM were $169 million. Years of expiration pertaining to these guarantees range from 2007 to 2012. Based on the credit worthiness of these rental car companies, the value ascribed to the guarantee provided by GM was determined to be insignificant.

In addition, GM has also entered into agreements with GMAC and FIM Holdings LLC, related to the disposal of 51% of GMAC, that incorporate indemnification provisions. The maximum potential amount of future undiscounted payments to which GM may be exposed in terms of these indemnification provisions amounts to $2.5 billion. No amounts have been recorded for such indemnities as GM's obligations under them are not probable and estimable and the fair value of these indemnifications is immaterial.

GM has entered into agreements indemnifying certain parties with respect to environmental conditions pertaining to existing or sold GM properties. Due to the nature of the indemnifications, GM's maximum exposure under these guarantees cannot be estimated. No amounts have been recorded for such indemnities, as GM's obligations are not probable or estimable at this time.

GM has provided guarantees with respect to benefits of former GM employees relating to pensions, postretirement health care and life insurance in connection with certain divestitures. Other than the benefits related to Delphi and another divested unit, it is not possible to predict the maximum potential amount of future undiscounted payments under these agreements due to the conditional nature of GM's obligations. No amounts have been recorded for such indemnities as GM's obligations are not probable and estimable at this time.

In addition to the guarantees and indemnifying agreements mentioned above, GM periodically enters into agreements that incorporate indemnification provisions in the normal course of business. Due to the nature of these agreements, the maximum potential amount of future undiscounted payments to which GM may be exposed cannot be estimated. No amounts have been recorded for such indemnities as GM's obligations under them are not probable and estimable at this time.

ENVIRONMENTAL

GM's operations, like operations of other companies engaged in similar businesses, are subject to a wide range of environmental protection laws including laws regulating air emissions, water discharges, waste management, and environmental cleanup. GM is in various stages of investigation or remediation for sites where contamination has been alleged. We are involved in a number of remediation actions to clean up hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site.

The future impact of environmental matters, including potential liabilities, is often difficult to estimate. We record an environmental reserve when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. This practice is followed whether the claims are asserted or unasserted. Management expects that the amounts reserved will be paid out over the periods of remediation for the applicable sites, which typically range from five to 30 years. Expenditures for site remediation actions, including ongoing operations and maintenance, amounted to $107 million and $127 million in 2006 and 2005, respectively. It is possible that such remediation actions could require average annual expenditures in the range of $90 million to $130 million over the next five years.

GM has a liability of approximately $323 million and $336 million at December 31, 2006 and 2005, respectively for worldwide environmental investigation and remediation including future ongoing maintenance requirements.

For many sites, the remediation costs and other damages for which we ultimately may be responsible are not reasonably estimable because of uncertainties with respect to factors such as our connection to the site or to materials there, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions, and the nature and scope of investigations, studies, and remediation to be undertaken (including the technologies to be required and the extent, duration, and success of remediation). As a result, we are unable to determine or reasonably estimate the amount of costs or other damages for which we are potentially responsible in connection with these sites, although that total could be substantial.

While the final outcome of environmental matters cannot be predicted with certainty, it is the opinion of GM that none of these items, when finally resolved, will have a material adverse effect on the Company's financial position or liquidity. However, should a number of these items occur in the same period, it could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

ASBESTOS CLAIMS

Like most automobile manufacturers, GM has been subject in recent years to asbestos-related claims. GM has seen these claims primarily arise from three circumstances. A majority of these claims seek damages for illnesses alleged to have resulted from asbestos used in brake components. A limited numbers of claims have arisen from asbestos contained in the insulation and brakes used in the manufacturing of locomotives and claims brought by contractors who allege exposure to asbestos-containing products while working on premises owned by GM.

Note 20. Commitments and Contingent Matters *(continued)*

While GM has resolved many of the asbestos-related cases over the years and continues to do so for strategic litigation reasons such as avoiding defense costs and possible exposure to excessive verdicts, management believes that only a small proportion of the claimants has or will ever develop any asbestos-related impairment. Only a small percentage of the claims pending against GM allege causation of a malignant disease associated with asbestos exposure. The amount expended on asbestos-related matters in any year depends on the number of claims filed, the amount of pretrial proceedings, and the number of trials and settlements during the period.

GM records an estimated liability associated with reported asbestos claims when it believes that the expected loss is both probable and can be reasonably estimated. Prior to 2006, with respect to incurred but not yet reported claims, GM concluded that a range of probable losses was not reasonably estimable. Over the last several years, GM has continued to accumulate data associated with asbestos claims. Based on review of this data, management determined that it had enough information so it could determine a reasonable estimate of its projected incurred but not yet reported claims that could be asserted over the next two years.

Based on its analysis, GM recorded an additional $127 million charge for unasserted asbestos claims in the fourth quarter of 2006. The charge reduced net income by $82 million or earnings per share by $0.15 for the year ended December 31, 2006.

The amounts recorded by GM for the asbestos-related claims were based upon currently known information. Future events, such as the number of new claims to be filed each year and the average cost of disposing of claims, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual costs to be significantly different from those projected. Due to the uncertainty inherent in factors used to determine GM's asbestos-related liabilities, it is reasonably possible that future costs to resolve asbestos claims may be greater than the estimate; however, GM does not believe that it can reasonably estimate how much greater it could be. However, GM believes that the $127 million recorded at December 31, 2006, is the best estimate of its minimum probable future obligation for the resolution of incurred but not yet reported asbestos claims.

While the final outcome of asbestos-related matters cannot be predicted with certainty, after discussion with counsel and considering among other things liabilities that have been recorded, it is the opinion of management that none of these items, when finally resolved, is expected to have a material adverse effect on GM's financial position or liquidity. However, should many of these items occur in the same period, they could have a material adverse effect on the results of operations in a particular quarter or year.

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 a number of shareholder class actions, bondholder class actions, shareholder derivative suits and ERISA class actions and other matters arising out of alleged product defects including asbestos-related claims; employment-related matters; governmental regulations relating to safety, emissions, and fuel economy; product warranties; financial services; dealer, supplier, and other contractual relationships; and environmental matters.

GM has established reserves for matters in which it believes that losses are probable and can be reasonably estimated. Some of the matters may involve compensatory, punitive, or other treble damage claims, or demands for recall campaigns, incurred but not reported asbestos-related claims, environmental remediation programs, or sanctions, that if granted, could require the Corporation to pay damages or make other expenditures in amounts that could not be reasonably estimated at December 31, 2006. While the final outcome of these matters cannot be predicted with certainty, after discussion with counsel, it is the opinion of management that such claims are not expected to have a material adverse effect on GM's consolidated financial condition or results of operations. However, should many of these items occur in the same period, they could have a material adverse effect on the results of operations in a particular quarter or year.

DELPHI

As mentioned above, GM provided guarantees with respect to benefits for former GM employees related to pensions and postretirement health care and life insurance (OPEB) for certain divestitures made prior to January 1, 2003. As such, in connection with GM's spin-off of Delphi in 1999, GM entered into separate agreements with the UAW, the IUE-CWA and the United Steel Workers (Benefit Guarantee Agreements) providing contingent benefit guarantees, to make payments for limited pension and OPEB expenses to certain former GM U.S. hourly employees who transferred to Delphi and meet the eligibility requirements for such payments (Covered Employees). Each Benefit Guarantee Agreement contains separate benefit guarantees relating to pension and OPEB obligations, with different triggering events under which GM could be liable if Delphi fails to provide the corresponding benefit at the required level. Therefore, GM could incur liability under one of the guarantees (e.g., OPEB) without triggering the other guarantees (e.g., pension). In addition, with respect to pension benefits, GM's guarantee of pension benefits arises only to the extent that the pension benefits provided by Delphi and the Pension Benefit Guaranty Corporation falls short of the guaranteed amount. The benefit guarantees will expire on October 18, 2007 unless Delphi fails before that date to pay the specified benefits which would trigger the related guarantee. If a benefit guarantee is triggered before its expiration date, GM's obligation could extend for the lives of affected Covered Employees, subject to the applicable terms of the pertinent benefit plans or other relevant agreements. A separate agreement between GM and Delphi which also expires on October 18, 2007, requires Delphi to indemnify GM for any payments under the benefit guarantees to the UAW employees or retirees. Any recovery by GM under indemnity claims against Delphi might be subject to partial or complete discharge in the Delphi reorganization proceeding. As a result, GM's claims for indemnity may not be paid in part or full.

As discussed in Note 6, in 2006 GM together with Delphi and the UAW entered into the UAW Attrition Agreement, which provided a combination of early retirement payments and other incentives to reduce the number of U.S. hourly employees at GM and Delphi. At December 31, 2006, 12,400 UAW-represented Delphi employees elected one of the retirement options available under the UAW agreement.

Under the UAW Attrition Agreement, GM agreed to assume certain costs regarding UAW-represented Delphi employees. Specifically, GM agreed to: (1) pay lump sums of $35,000 to certain employees who participate in the Attrition Program; (2) allow Delphi employees who agree to retire under the Attrition Program to return to GM for purposes of retirement whereby GM would assume all OPEB obligations to such retiree; (3) subsidize OPEB costs for Delphi employees participating in a special voluntary pre-retirement program for an interim period, if Delphi reduces or eliminates its health care and/or life insurance coverage provided to active UAW employees; and (4) accept 5,000 active flowback employees. GM will have a prepetition, general unsecured claim assertable against Delphi, other than the $35,000 lump sum payment subject to objections on any grounds other than the claim did not arise under the terms of the pre-existing contractual agreements between GM and Delphi.

As of December 31, 2006, approximately 6,200 IUE-CWA-represented Delphi employees and approximately 1,400 UAW-represented Delphi employees elected to participate in these attrition and buyout programs similar to the program under the UAW attrition agreements described above. GM and Delphi will share the cost of these programs.

Note 20. Commitments and Contingent Matters *(concluded)*

GM believes that it is probable that it has incurred a contingent liability due to Delphi's Chapter 11 filing in October 2005. GM established a liability of $5.5 billion in 2005 and recorded an additional charge of $0.5 billion in 2006 for OPEB obligations associated with previously divested Delphi business units and certain labor restructuring costs, including but not limited to expenditures related to the attrition programs discussed above. Based on currently available data and ongoing discussions with Delphi and other stakeholders, GM believes that the range of the contingent exposures is between $6 billion and $7.5 billion, with amounts near the low end of the range considered more possible than amounts near the high end of the range. GM's claims against Delphi and the other Debtors for recoveries, would be satisfied by the payment of $2.63 billion in cash and 7 million shares of common stock in Delphi as reorganized, out of a total of 135 million fully diluted shares, which has been contemplated in the range of contingent exposure and is provided in the framework under which the parties are negotiating. Also, GM would expect to receive up to $2 billion in cash and/or Notes Receivable, which GM would expect to monetize within 10 days, for assuming a portion of Delphi's U.S. hourly pension plan obligations. These views reflect GM's current assessment that it is unlikely that a Chapter 11 process will result in both a termination of Delphi's pension plan in addition to complete elimination of its OPEB plans. The amount of this charge may change, depending on the result of further discussions among GM, Delphi, and Delphi's unions, and other factors. In addition to these charges, GM may agree to reimburse Delphi for certain labor expenses to be incurred upon and after Delphi's emergence from bankruptcy. GM's current estimate of these expenses involves an initial payment in 2007, not expected to exceed approximately $400 million, and ongoing expenses of limited duration and estimated to average less than $100 million annually. As a result of ongoing negotiations, the actual impact of the Delphi matter will not be known until a consensual agreement has been reached and approved by the Bankruptcy Court.

At December 31, 2006 and 2005, GM's contingent liability related to the Delphi matters was $1.5 billion and $5.5 billion, respectively. During 2006, amounts previously recorded under the benefit guarantee were reclassified to GM's OPEB liability as GM has assumed the OPEB obligation for approximately 17,800 Delphi employees that have returned back to GM to continue working or retire with GM and for those covered employees that remain at Delphi.

In March 2006, Delphi also filed a motion under the U.S. Bankruptcy Code seeking authority to reject certain supply contracts with GM. A hearing on this motion was adjourned indefinitely by the court pending further developments related to Delphi's U.S. labor agreements and retiree welfare benefits. Although Delphi has not rejected any GM contracts as of this time and has assured GM that it does not intend to disrupt production at GM assembly facilities, there is a risk that Delphi or one or more of its affiliates may reject or threaten to reject individual contracts with GM, either for the purpose of exiting specific lines of business or in an attempt to increase the price GM pays for certain parts and components. As a result, GM could be materially adversely affected by disruption in the supply of automotive systems, components and parts that could force the suspension of production at GM assembly facilities.

Delphi is GM's largest supplier of automotive systems, components and parts, and GM is Delphi's largest customer. GM has worked and will continue to work constructively in the court proceedings with Delphi, Delphi's unions, and other participants in Delphi's restructuring process. GM's goal is to achieve outcomes that are in the best interests of GM and its stockholders, and to the extent conducive to that goal, that enable Delphi to continue as an important supplier to GM.

BENEFIT GUARANTEES RELATED TO DIVESTED UNIT

GM has entered into various guarantees regarding benefits for former GM employees at two previously divested plants that manufacture component parts whose results continue to be included in GM's financial statements in accordance with FIN 46(R), Consolidation of Variable Interest Entities. For these divested plants, GM entered into agreements with both the purchaser to indemnify, defend, and hold the purchaser harmless for any liabilities arising out of the divested plants and with the UAW guaranteeing certain postretirement health care benefits and payment of postemployment benefits.

In October 2006, it was announced that production would cease at these two plants which would permanently idle approximately 2,000 workers. Accordingly, during the fourth quarter of 2006, GM results include a charge of $206 million comprised of the following related to the closure of these plants: (1) a $214 million charge to recognize wage and benefit costs associated with employees accepting retirement packages, buyouts, or supplemental unemployment benefit costs in connection with the plant closure, (2) a curtailment loss of $3 million related to pension benefits, and (3) a $11 million curtailment gain with respect to other postretirement benefits.

Note 21. Stockholders' Equity

COMMON STOCK

GM has 2.0 billion shares of $1 2/3 par value common stock authorized. The liquidation rights of the GM $1 2/3 par value common stock are subject to certain adjustments if outstanding common stock is subdivided, by stock split or otherwise.

PREFERRED STOCK

GM has 6.0 million shares of preferred stock authorized, without par value. The preferred stock is issuable in series with such voting powers, designations, powers, privileges, and rights and such qualifications, limits, or restrictions as may be determined by GM's board of directors, without stockholder approval. The preferred stock ranks senior to GM common stock and any other class of stock issued by the Corporation. Holders of preferred stock shall be entitled to receive cumulative dividends, when and as declared by the board of directors on a quarterly basis. At December 31, 2006 and 2005, no shares of preferred stock were issued and outstanding.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the components of accumulated other comprehensive income (loss), net of taxes:

	December 31,		
(Dollars in millions)	**2006**	2005	2004
Foreign currency translation adjustments	**$ (1,965)**	$(2,140)	$(1,211)
Net unrealized gain on derivatives	**359**	608	575
Net unrealized gain on securities	**282**	786	853
Defined benefit plans	**(20,802)**	–	–
Minimum pension liability adjustment	**–**	(3,789)	(3,031)
Accumulated other comprehensive income (loss)	**$(22,126)**	$(4,535)	$(2,814)

Note 21. Stockholders' Equity *(concluded)*

OTHER COMPREHENSIVE INCOME

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

Years Ended December 31,		**2006**			2005			2004	
(Dollars in millions)	**Pre-tax Amount**	**Tax Expense (Credit)**	**Net Amount**	Pre-tax Amount	Tax Expense (Credit)	Net Amount	Pre-tax Amount	Tax Expense (Credit)	Net Amount
Foreign currency translation adjustments	**$ 370**	**$ 195**	**$ 175**	$ (975)	$ (46)	$ (929)	$1,192	$ (85)	$1,277
Unrealized gain on securities:									
Unrealized holding gain (loss)	**196**	**69**	**127**	146	51	95	378	132	246
Reclassification adjustment	**(971)**	**(340)**	**(631)**	(249)	(87)	(162)	(67)	(23)	(44)
Net unrealized gain (loss)	**(775)**	**(271)**	**(504)**	(103)	(36)	(67)	311	109	202
Minimum pension liability adjustment	**(103)**	**(36)**	**(67)**	(1,166)	(408)	(758)	(878)	(307)	(571)
Net unrealized gain (loss) on derivatives	**(383)**	**(134)**	**(249)**	51	18	33	712	249	463
Other comprehensive income (loss)	**$(891)**	**$ (246)**	**$ (645)**	$(2,193)	$(472)	$(1,721)	$1,337	$ (34)	$1,371

Note 22. Earnings (Loss) Per Share

Earnings per share (EPS) attributable to GM common stock was determined based on earnings for the period divided by the weighted-average number of common shares outstanding during the period. Diluted EPS attributable to GM common stock considers the effect of potential common shares, unless the inclusion of the potential common shares would have an antidilutive effect.

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):

	Income (loss)	Shares	Per Share Amount
Year ended December 31, 2006			
Basic EPS			
Income (loss) before cumulative effect of a change in accounting principle attributable to common stock	**$ (1,978)**	**566**	**$ (3.50)**
Effect of Dilutive Securities			
Assumed exercise of dilutive stock options	**–**	**–**	**–**
Diluted EPS			
Adjusted income (loss) attributable to common stock	**$ (1,978)**	**566**	**$ (3.50)**
Year ended December 31, 2005			
Basic EPS			
Income (loss) before cumulative effect of a change in accounting principle attributable to common stock	$(10,308)	566	$(18.23)
Effect of Dilutive Securities			
Assumed exercise of dilutive stock options	–	–	–
Diluted EPS			
Adjusted income (loss) attributable to common stock	$(10,308)	566	$(18.23)
Year ended December 31, 2004			
Basic EPS			
Income before cumulative effect of a change in accounting principle attributable to common stock	$ 2,701	565	$ 4.78
Effect of Dilutive Securities			
Assumed exercise of dilutive stock options	–	2	(.02)
Diluted EPS			
Adjusted income attributable to common stock	$ 2,701	567	$ 4.76

Certain stock options and convertible securities were not included in the computation of diluted earnings per share for the periods presented since the instruments' underlying exercise prices were greater than the average market prices of GM $1 2/3 par value common stock and inclusion would be antidilutive. Such shares not included in the computation of diluted earnings per share were 106 million, 111 million, and 88 million as of December 31, 2006, 2005, and 2004, respectively. In addition, for periods in which there was a loss attributable to common stock, options to purchase shares of GM $1 2/3 par value common stock with the underlying exercise prices less than the average market prices were outstanding, but were excluded from the calculations of diluted loss per share, as inclusion of these securities would have been antidilutive.

No shares potentially issuable to satisfy the in-the-money-amount of the convertible debentures have been included in diluted earnings per share as of December 31, 2006, as the convertible debentures have not met the requirements for conversion.

Note 23. Derivative Financial Instruments and Risk Management

DERIVATIVES AND HEDGES

GM is exposed to market risk from changes in foreign currency exchange rates, interest rates, and certain commodity prices. In the normal course of business, GM enters into a variety of foreign exchange, interest rate, and commodity forward contracts, swaps, and options, with the objective of managing its financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on the derivatives used to hedge them. GM's risk management control system is used to assist in monitoring the hedging program, derivative positions and hedging strategies. GM's hedging documentation includes the hedging objectives, practices and procedures, and related accounting treatment. Hedges that receive designated hedge accounting treatment are evaluated for effectiveness at the time they are designated as well as throughout the hedging period. As discussed in Note 2, GM restated its 2005 and 2004 financial statements for certain derivative transactions.

Cash Flow Hedges – GM uses financial instruments designated as cash flow hedges to hedge its exposure to foreign currency exchange risk associated with buying, selling, and financing in currencies other than the local currencies in which it operates, and to variability in cash flows related to its exposure to commodity price risk associated with changes in the prices of commodities used in its automotive business, primarily precious metals, nonferrous metals, and energy and to hedge exposure to variability in cash flows related to foreign-currency-denominated debt. For foreign currency transactions, GM typically hedges forecasted exposures up to three years in the future. For commodities, GM typically hedges exposure up to three years in the future.

For derivatives designated as cash flow hedges, GM records changes in fair value in OCI, then releases those changes to earnings contemporaneously with the earnings effects of the hedged item. If the hedge relationship is terminated and the forecasted transaction is no longer probable of occurring, then the cumulative change in fair value of the derivative recorded in OCI is recognized

Note 23. Derivative Financial Instruments and Risk Management *(concluded)*

in earnings. To the extent the hedging relationship is not effective, the ineffective portion of the change in fair value of the derivative instrument is recorded in earnings.

For the year ended December 31, 2006, hedge ineffectiveness associated with instruments designated as cash flow hedges increased Automotive cost of sales by $17.4 million. For the year ended December 31, 2005, hedge ineffectiveness associated with instruments designated as cash flow hedges decreased Automotive cost of sales by $9.5 million. For the year ended December 31, 2006, net derivative gains of $484.2 million were reclassified from OCI to Automotive cost of sales and net derivative gains of $693.1 million were reclassified from OCI to Automotive revenue. For the year ended December 31, 2005, net derivative gains of $205.6 million were reclassified from OCI to cost of sales and $199.8 million was reclassified from OCI to revenue. These net (losses) gains were offset by net gains (losses) on the transactions being hedged.

Approximately $292.7 million of net derivative gains included in OCI at December 31, 2006, is expected to be reclassified into earnings within 12 months from that date. For the years ended December 31, 2006 and 2005, there was a net loss of approximately $17.8 million and a net gain of approximately $46.6 million, respectively, which were reclassified into earnings as a result of the discontinuance of certain commodity cash flow hedges because it was probable that the original forecasted transactions would not occur.

Fair Value Hedges – GM uses financial instruments designated as fair value hedges to manage certain of its exposure to interest rate risk. GM is subject to market risk from exposures to changes in interest rates due to its financing, investing, and cash management activities. A variety of instruments are used to hedge GM's exposure associated with its fixed rate debt and mortgage servicing rights (MSRs). GM records changes in the fair value of a derivative designated as a fair value hedge in earnings, offset by corresponding changes in the fair value of the hedged item to the extent the hedge is effective.

For the year ended December 31, 2006 and 2005, hedge ineffectiveness associated with instruments designated as fair value hedges, primarily due to hedging of MSRs, increased selling, general, and administrative expenses by $1 million and decreased selling, general, and administrative expenses by $26 million, respectively.

Net Investment Hedges – GM uses foreign-currency-denominated-debt to offset the translation and economic exposures related to its investment in foreign entities. Foreign currency transaction gains and losses related to these debt instruments are recorded in accumulated foreign currency translation adjustment. For the year ended December 31, 2006 and 2005, unrealized losses of $138.5 million loss and unrealized gains of $50.5 million, respectively, were recorded in accumulated foreign currency translation adjustment.

DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING

GM purchases raw materials and parts comprising various commodities whose purchase price varies based on changes in the price of the related commodity. The Corporation hedges the commodity price risk economically by entering into derivative contracts and previously designated those instruments as cash flow hedges. However, as discussed in Note 2, GM determined that certain of these derivative instruments did not qualify for hedge accounting treatment under SFAS No. 133 and, therefore, certain derivative instruments were marked-to-market through Automotive cost of sales in 2006, 2005, and 2004.

Additionally, GM is exposed to foreign exchange risk related to its forecasted foreign currency sales and purchases and its net investments in foreign subsidiaries. GM hedges the foreign exchange risk economically by entering into derivative contracts and previously designated certain of those instruments as cash flow hedges or as net investment hedges. However, as discussed in Note 2, GM determined that some of these derivative instruments did not qualify for hedge accounting and, therefore, these derivative instruments were marked-to-market through Automotive cost of sales in 2006, 2005, and 2004.

DERIVATIVES NOT MEETING A SCOPE EXCEPTION FROM FAIR VALUE ACCOUNTING

GM enters into purchase contracts to hedge its physical exposure to the availability of certain commodities used in the production of cars and trucks. GM did not previously account for these contracts as derivatives, instead GM applied the "normal purchases and normal sales" (NPNS) scope exception in SFAS No. 133. As described in Note 2, GM determined that some of these contracts did not qualify for the NPNS scope exception from fair value accounting in SFAS No. 133 and, therefore, these commodity purchase contracts have been accounted for as derivatives with gains and losses recorded in Automotive cost of sales in 2006, 2005, and 2004.

DERIVATIVES NOT DESIGNATED AS HEDGES

GM uses derivatives such as forward contracts and options, including caps, floors and collars to economically hedge exposures. Unrealized gains and losses related to these derivatives that are not designated as accounting hedges are recognized currently in Automotive cost of sales.

Note 24. Fair Value of Financial Instruments

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

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

	2006		2005	
December 31,	**Book Value**	**Fair Value**	Book Value	Fair Value
Assets				
Derivative assets	**$ 2,080**	**$ 2,080**	$ 1,938	$ 1,938
Liabilities				
Long-term debt (1)	**$33,067**	**$28,877**	$ 32,580	$ 25,447
Derivative liabilities	**$ 916**	**$ 916**	$ 859	$ 859
Financing and Insurance Operations				
Assets				
Finance receivables – net (2)	**$ –**	**$ –**	$180,849	$181,146
Derivative assets	**$ 35**	**$ 35**	$ 3,000	$ 3,000
Loans held for sale (3)	**$ –**	**$ –**	$ 21,865	$ 21,934
Other assets (4)	**$ 1,601**	**$ 1,601**	$ –	$ –
Liabilities				
Debt (1)	**$ 9,438**	**$ 9,438**	$253,508	$245,247
Derivative liabilities	**$ 2**	**$ 2**	$ 2,444	$ 2,444
Other liabilities	**$ –**	**$ –**	$ 5,930	$ 5,930

(1) *Long-term debt has an estimated fair value based on quoted market prices for the same or similar issues or based on the current rates offered to GM for debt of similar remaining maturities. Estimated values of Industrial Development Bonds, included in long-term debt, were based on quoted market prices for the same or similar issues.*

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

(3) *The fair value of loans held for sale is based upon actual prices on recent sales of loans and securities to investors and projected prices obtained through investor indications considering interest rates, loan type and credit quality.*

(4) *The fair value of the GMAC Preferred Membership Interest was estimated by discounting the future cash flows considering dividend rate, interest rate, and credit spreads.*

Due to their short-term nature, the book value approximates fair value for cash and marketable securities, accounts and notes receivable (less allowances), accounts payable (principally trade), Auto & Other loans payable and FIO debt payable within one year for the years ended December 31, 2006 and 2005.

Note 25. Stock Incentive Plans

GM's stock incentive plans consist of the General Motors 2002 Stock Incentive Plan, formerly the 1997 General Motors Amended Stock Incentive Plan (GMSIP), the General Motors 1998 Salaried Stock Option Plan (GMSSOP), the General Motors 2002 Long Term Incentive Plan (GMLTIP), and the General Motors 2006 Cash-Based Restricted Stock Unit Plan (GMCRSU), collectively the Plans. The GMSIP, the GMLTIP and the GMCRSU are administered by the Executive Compensation Committee of GM's board of directors. The GMSSOP is administered by the Vice President of Global Human Resources.

The compensation cost for the above plans was approximately $170 million, $88.7 million, and $66 million for the years ended December 31, 2006, 2005, and 2004, respectively. The total income tax benefit recognized for share-based compensation arrangements was approximately $53.3 million, $31 million, and $23.1 million for the years ended December 31, 2006, 2005, and 2004, respectively.

On November 30, 2006, GM sold a 51% controlling interest in GMAC. GMAC employees who participated in the GM stock incentive plans changed status from employee to non-employee. Based on this change in status, certain outstanding share-based payment awards were forfeited under the original terms but were modified to allow continued vesting. This resulted in the cancellation of the original awards and the issuance of a new award to non-employees. The remainder of the awards were not forfeited under the original terms, and thus there was no modification to the outstanding awards. GM awards that require future service with GMAC will be accounted for as awards to non-employees over the remaining service period. The effect on compensation cost was not significant to GM.

GMSIP AND GMSSOP

Under the GMSIP, 27.4 million shares of GM $1 2/3 par value common stock may be granted from June 1, 2002 through May 31, 2007, of which approximately 4.9 million were available for grants at December 31, 2006. Any shares granted and undelivered under the GMSIP, due primarily to expiration or termination, become again available for grant. Stock option grants awarded since 1997 are generally exercisable one-third after one year, one-third after two years and fully after three years from the dates of grant. Option prices are 100% of fair market value on the dates of grant, and the options generally expire 10 years from the dates of grant, subject to earlier termination under certain conditions. GM's policy is to issue treasury shares upon exercise of employee stock options.

Under the GMSSOP, which commenced January 1, 1998 and ends December 31, 2007, the number of shares of GM $1 2/3 par value common stock that may be granted each year is determined by management. Based on an amendment to the GMSSOP in 2006, there are no shares of GM $1 2/3 par value common stock available for grants at December 31, 2006. Stock options granted from 1998 through 2004 are exercisable two years from the date of grant. There have been no option grants made under the plan since 2004. Option prices are 100% of fair market value on the dates of grant, and the options generally expire ten years and two days from the dates of grant subject to earlier termination under certain conditions.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the weighted-average assumptions noted in the following table. Expected volatilities are based on both the implied and historical volatility of the Corporation's stock. The Corporation uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options represents the period of time that options granted are expected to be outstanding. The interest rate for periods during the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

	2006		2005		2004	
	GMSIP	**GMSSOP**	GMSIP	GMSSOP	GMSIP	GMSSOP
Interest rate	**4.66%**	**–%**	3.8%	–%	3.1%	3.1%
Expected life (years)	**6.0**	**–**	6.0	–	5.0	5.0
Expected volatility	**47.9%**	**–%**	32.5%	–%	33.9%	33.9%
Dividend yield	**4.7%**	**–%**	5.5%	–%	3.7%	3.7%

The primary grant to executives on February 23, 2006, January 24, 2005, and January 23, 2004 made under the Stock Incentive Plan were 2,702,796, 7,619,250, and 7,920,660 shares, respectively, at a grant date fair value of $7.06, $7.21, and $12.85, respectively. The assumptions used to estimate the grant date fair value of these grants are detailed in the table below.

	2006	2005	2004
Interest rate	**4.63%**	3.74%	3.06%
Expected life (years)	**6.0**	6.0	5.0
Expected volatility	**48.4%**	32.4%	33.9%
Dividend yield	**4.78%**	5.50%	3.71%

Note 25. Stock Incentive Plans *(continued)*

Changes in the status of outstanding options during the year were as follows:

	GMSIP $1 2/3 Par Value Common			
	Shares Under Option	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at January 1, 2006	84,130,586	$53.11		
Granted	2,841,686	$21.33		
Exercised	–	–		
Forfeited or expired	5,317,094	$46.78		
Options outstanding at December 31, 2006	81,655,178	$52.41	4.6	$26,324,061
Options exercisable at December 31, 2006	71,561,211	$54.67	4.1	$ 30,805

	GMSSOP $1 2/3 Par Value Common			
	Shares Under Option	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at January 1, 2006	27,213,635	$55.19		
Granted	–	–		
Exercised	–	–		
Forfeited or expired	629,740	$53.64		
Options outstanding at December 31, 2006	26,583,895	$55.23	4.3	–
Options exercisable at December 31, 2006	26,583,895	$55.23	4.3	–

The weighted-average grant-date fair value was $7.19, $7.23, and $12.82 for the GMSIP options granted in 2006, 2005, and 2004, respectively. The weighted-average grant-date fair value was $0, $0, and $12.85 for the GMSSOP options granted in 2006, 2005, and 2004, respectively. The total intrinsic value of GMSIP options exercised during the years ended December 31, 2006, 2005, and 2004 was $0, $2.1 million, and $9.6 million, respectively. The total intrinsic value of GMSSOP options exercised during the years ended December 31, 2006, 2005, and 2004 was $0, $0, and $0.1 million, respectively. The tax benefit from the exercise of the share-based payment arrangements for the years ended December 31, 2006, 2005, and 2004 totaled $0, $0.7 million, and $3.4 million, respectively.

SUMMARY

A summary of the status of the Corporation's options as of December 31, 2006 and the changes during the year then ended, is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2006	15,923,106	$9.28
Granted	2,841,686	7.19
Vested	8,431,121	9.44
Forfeited	239,704	8.61
Nonvested at December 31, 2006	10,093,967	$8.57

As of December 31, 2006, there was $12.2 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plans. That cost is expected to be recognized over a weighted-average period of 0.8 years.

Cash received from option exercise under all share-based payment arrangements for the years ended December 31, 2006, 2005, and 2004 was $0 million, $0.4 million, and $1.5 million, respectively.

GMLTIP

The GMLTIP consists of award opportunities granted to participants that are based on the achievement of specific corporate business criteria. The target number of shares of GM $1 2/3 par value common stock that may be granted each year is determined by management. These grants are subject to a three year performance period and the final award payout may vary based on the achievement of those criteria. The condition for all awards is a minimum percentile ranking of GM's TSR among the companies in the S&P 500.

At December 31, 2006, approximately 5.7 million target shares were outstanding under the GMLTIP. Of these outstanding shares, a total of 1.3 million were granted in 2004 at a grant-date fair value of $53.92. If the minimum performance criteria are achieved, management intends to settle these awards with GM $1 2/3 par value common stock. Of the remaining outstanding shares, approximately 2.4 million and 2.0 million were granted in 2006 and 2005 at a grant date fair value of $24.81 and $36.37, respectively. Management is required to settle these awards in cash. As a result, these cash-settled awards are recorded as a liability until the date of final award payout. In accordance with SFAS No. 123(R), the fair value of each cash-settled award is recalculated at the end of each reporting period and the liability and expense adjusted based on the change in fair value. The preceding is the targeted number of shares that would be used in the final award calculation should the targeted performance condition be achieved. Final payout is subject to approval by the Executive Compensation Committee of the Board of Directors. The fair value at December 31, 2006 was $43.80 and $11.90 for the awards granted during the years ended December 31, 2006 and 2005, respectively.

Prior to the adoption of SFAS No. 123(R), the fair value of each award under the GMLTIP was equal to the fair market value of the underlying shares on the date of grant. Beginning January 1, 2006 in accordance with the adoption of SFAS No. 123(R), the fair value of each cash-settled award under the GMLTIP is estimated on the date of grant, and for each subsequent reporting period, using a lattice-based option valuation model that uses the assumptions noted in the following table. Because lattice-based valuation models incorporate ranges of assumptions for inputs, those ranges are disclosed. Expected volatilities are based on the implied volatility from GM's tradable options. The expected term of these target awards represent the remaining time in the performance period. The risk-free rate for periods during the contractual life of the performance shares is based on the U.S. Treasury yield curve in effect at the time of valuation. Because the payout depends on the Corporation's performance ranked with the S&P 500, the valuation also depends on the performance of other stocks in the S&P 500 from the grant date to the exercise date as well as estimates of the correlations among their future performances.

	2006	2005
Expected volatility	**38.1%**	37.6%
Expected dividends	**N/A**	N/A
Expected term (years)	**2.0**	1.0
Risk-free interest rate	**5.24%**	5.13%

Note 25. Stock Incentive Plans *(concluded)*

The primary grant to executives on February 23, 2006 and January 24, 2005 made under the GMLTIP were 2,427,869 and 1,959,490 shares, respectively, at a grant date fair value of $24.81 and $36.37, respectively. The assumptions used to estimate fair value at December 31, 2006 are detailed in the table above.

The weighted average remaining contractual term was 1.2 years for target awards outstanding at December 31, 2006. As the threshold performance required for a payment under the 2004-2006 LTIP was not achieved, there were no shares delivered for this plan in 2006. The 2005–2007 and 2006–2008 performance periods remain open at December 31, 2006.

GM CRSU

In 2006, the Corporation established a cash-based restricted stock unit plan that provides cash equal to the value of underlying restricted share units to certain global executives at predetermined vesting dates. Awards under the plan vest and are paid in one-third increments on each anniversary date of the award over a three year period. Compensation expense is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. Since the awards are settled in cash, these cash-settled awards are recorded as a liability until the date of payment. In accordance with SFAS No. 123(R), the fair value of each cash-settled award is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value.

The fair value of each CRSU is based on the Corporation's stock price on the date of grant and each subsequent reporting period until date of settlement. There were 4.3 million CRSUs granted during the year ended December 31, 2006 with a weighted average grant date fair value of $21.04 per share. The fair value at December 31, 2006 was $30.72 per share, and there were 3.9 million CRSUs outstanding.

The weighted average remaining contractual term was 2.2 years for the CRSUs outstanding at December 31, 2006. There were no share units vested or delivered during the year ended December 31, 2006, other than for share units related to GMAC employees who received pro-rata settlements based on their service to GM prior to the GMAC sale. The share units related to these GMAC employees were delivered in 2007.

Note 26. Supplemental Information for Statements of Cash Flows

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005 Restated	2004 Restated
Increase (decrease) in other operating assets and liabilities were as follows:			
Accounts receivable	**$ (242)**	$ 63	$ (268)
Other receivables	**(2,983)**	4,092	419
Prepaid expenses and other deferred charges	**303**	(83)	42
Inventories	**377**	(1,464)	(140)
Other assets	**(173)**	(32)	(153)
Accounts payable	**418**	(122)	2,434
Deferred taxes and income taxes payable	**(4,241)**	(6,386)	(1,145)
Accrued expenses and other liabilities	**(5,892)**	(793)	(1,783)
Fleet rental – acquisitions	**(8,701)**	(9,452)	(7,846)
Fleet rental – liquidations	**8,526**	7,379	6,686
Total	**$(12,608)**	$ (6,798)	$ (1,754)
Cash paid for interest	**$ 17,415**	$15,815	$11,395

Note 27. Segment Reporting

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

GM's Automotive business consists of GM's four automotive regions: GMNA, GME, GMLAAM, and GMAP, which together constitute GM Automotive (GMA). GMNA develops, manufactures, and/or markets vehicles primarily in North America under the following brands: Chevrolet, Pontiac, GMC, Buick, Cadillac, Saturn, Saab, and Hummer. GME, GMLAAM, and GMAP primarily meet the demands of customers outside North America with vehicles developed, manufactured, and marketed under the following brands: Opel, Vauxhall, Holden, Saab, Buick, Chevrolet, GMC, Cadillac, and Daewoo. GM's FIO business consists of GMAC for 2004, 2005 and the eleven months ended November 30, 2006 and GM's 49% share of GMAC's operating results for the month of December 2006 on the equity method and Other Financing, which includes financing entities that are not consolidated by GMAC. GMAC provides a broad range of financial services, including consumer vehicle financing, full-service leasing and fleet leasing, dealer financing, car and truck extended service contracts, residential and commercial mortgage services, commercial and vehicle insurance, and asset-based lending. Corporate & Other includes the elimination of intersegment transactions, certain non-segment specific revenues and expenditures, including legacy costs related to postretirement benefits for certain Delphi and other retirees, and certain corporate activities.

The disaggregated financial results have been prepared using a management approach, which is consistent with the basis and manner in which GM management internally disaggregates financial information for the purposes of assisting in making internal operating decisions. Transactions between segments have been eliminated. These transactions consist principally of borrowings and other financial services provided by FIO to Auto. A master intercompany agreement was in effect until November 30, 2006 which governed the nature of these transactions to ensure that they were done in accordance with commercially reasonable standards. GM evaluates performance based on stand-alone operating segment net income and generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Note 27. Segment Reporting *(continued)*

(Dollars in millions)	GMNA	GME	GMLAAM
2006			
Automotive sales			
External customers	**$115,756**	**$31,405**	**$14,015**
Intersegment	**(5,977)**	**1,788**	**603**
Total automotive sales	**109,779**	**33,193**	**14,618**
Financial services and insurance revenues	**–**	**–**	**–**
Total net sales and revenues	**$109,779**	**$33,193**	**$14,618**
Automotive cost of sales	**$106,575**	**$30,783**	**$13,296**
Selling, general and administrative expense	**$ 8,709**	**$ 2,600**	**$ 764**
Depreciation and amortization	**$ 5,793**	**$ 1,634**	**$ 227**
Interest income	**$ 1,353**	**$ 533**	**$ 87**
Interest expense	**$ 3,285**	**$ 664**	**$ 158**
Income tax expense (benefit)	**$ (2,243)**	**$ (72)**	**$ 28**
Earnings (losses) of nonconsolidated affiliates	**$ 104**	**$ 36**	**$ 16**
Net income (loss) (b)	**$ (4,619)**	**$ (225)**	**$ 490**
Investments in nonconsolidated affiliates	**$ 295**	**$ 408**	**$ 132**
Segment assets	**$118,573**	**$26,610**	**$ 4,202**
Goodwill	**$ 299**	**$ 500**	**$ –**
Expenditures for property	**$ 5,048**	**$ 1,103**	**$ 279**
2005			
Automotive sales			
External customers	$110,121	$30,173	$11,129
Intersegment	(4,481)	1,719	715
Total automotive sales (a)	105,640	31,892	11,844
Financial services and insurance revenues	–	–	–
Total net sales and revenues	$105,640	$31,892	$11,844
Automotive cost of sales	$105,718	$31,152	$11,070
Selling, general and administrative expense	$ 8,968	$ 2,406	$ 623
Depreciation and amortization	$ 7,593	$ 1,788	$ 325
Interest income	$ 1,333	$ 420	$ 57
Interest expense	$ 3,170	$ 555	$ 197
Income tax expense (benefit)	$ (2,480)	$ (734)	$ 611
Earnings (losses) of nonconsolidated affiliates	$ (48)	$ 102	$ 15
Income (loss) before cumulative effect of accounting change	$ (8,150)	$ (1,007)	$ (564)
Net income (loss)	$ (8,233)	$ (1,028)	$ (566)
Investments in nonconsolidated affiliates	$ 18	$ 359	$ 155
Segment assets	$126,472	$21,069	$ 4,340
Goodwill	$ 383	$ 374	$ –
Expenditures for property	$ 5,418	$ 1,396	$ 229
2004			
Automotive sales			
External customers	$118,132	$29,957	$ 8,204
Intersegment	(2,811)	1,239	673
Total automotive sales (a)	115,321	31,196	8,877
Financial services and insurance revenues	–	–	–
Total net sales and revenues	$115,321	$31,196	$ 8,877
Automotive cost of sales	$105,585	$30,145	$ 8,244
Selling, general and administrative expense	$ 7,891	$ 2,486	$ 514
Depreciation and amortization	$ 6,389	$ 1,821	$ 195
Interest income	$ 1,016	$ 402	$ 20
Interest expense	$ 2,734	$ 415	$ 74
Income tax expense (benefit)	$ (600)	$ (599)	$ 33
Earnings (losses) of nonconsolidated affiliates	$ 58	$ 102	$ (3)
Net income (loss)	$ 1,357	$ (768)	$ 50
Investments in nonconsolidated affiliates	$ 458	$ 1,476	$ 276
Segment assets (a)	$127,031	$26,628	$ 3,823
Goodwill	$ 154	$ 446	$ –
Expenditures for property	$ 5,163	$ 1,331	$ 158

(a) *Effective January 1, 2006, four powertrain entities were transferred from GMNA to GME for management reporting purposes. Accordingly, 2005 amounts have been revised for comparability by reclassifying $466 million of revenue, $99 million of net income, and $221 million of segment assets from GMNA to GME. For 2004, amounts have been revised by reclassifying $667 million of revenue, $124 million of net income, and $10 million of segment assets from GMNA to GME.*

(b) *In 2006, GM recognized a non-cash impairment charge of $2.9 billion in connection with the sale of a controlling interest in GMAC which is reflected in the column "Other Financing." Refer to Note 4.*

(c) *GM sold a 51% ownership interest in GMAC in November 2006. The remaining 49% ownership interest held by GM is accounted for under the equity method, and GM's investment is included in GMAC's segment assets.*

(d) *Other Financing includes the elimination of net receivables from total assets in Auto & Other. Receivables eliminated were $4.1 billion, $4.5 billion, and $2.4 billion at December 31, 2006, 2005, and 2004, respectively.*

GMAP	Total GMA	GMAC(c)	Other Financing(d)	Total Financing	Corporate & Other	Total
$11,912	**$173,088**	**$ –**	**$ –**	**$ –**	**$ (161)**	**$172,927**
3,587	**1**	**–**	**–**	**–**	**(1)**	**–**
15,499	**173,089**	**–**	**–**	**–**	**(162)**	**172,927**
–	**–**	**33,629**	**793**	**34,422**	**–**	**34,422**
$15,499	**$173,089**	**$ 33,629**	**$ 793**	**$ 34,422**	**$ (162)**	**$207,349**
$14,185	**$164,839**	**$ –**	**$ –**	**$ –**	**$ (157)**	**$164,682**
$ 1,145	**$ 13,218**	**$ 12,702**	**$(1,524)**	**$ 11,178**	**$ 685**	**$ 25,081**
$ 483	**$ 8,137**	**$ 5,252**	**$(2,461)**	**$ 2,791**	**$ 22**	**$ 10,950**
$ 122	**$ 2,095**	**$ 2,332**	**$ (480)**	**$ 1,852**	**$(1,374)**	**$ 2,573**
$ 222	**$ 4,329**	**$ 14,196**	**$ 105**	**$ 14,301**	**$(1,685)**	**$ 16,945**
$ (23)	**$ (2,310)**	**$ 62**	**$ 773**	**$ 835**	**$(1,310)**	**$ (2,785)**
$ 365	**$ 521**	**$ (16)**	**$ –**	**$ (16)**	**$ 3**	**$ 508**
$ 1,186	**$ (3,168)**	**$ 2,179**	**$(1,150)**	**$ 1,029**	**$ 161**	**$ (1,978)**
$ 1,100	**$ 1,935**	**$ 7,523**	**$ –**	**$ 7,523**	**$ 34**	**$ 9,492**
$13,285	**$162,670**	**$ 13,050**	**$ 9,073**	**$ 22,123**	**$ 1,399**	**$186,192**
$ –	**$ 799**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 799**
$ 1,030	**$ 7,460**	**$ 401**	**$ 1**	**$ 402**	**$ 71**	**$ 7,933**
$ 8,771	$160,194	$ –	$ –	$ –	$ 34	$160,228
2,050	3	–	–	–	(3)	–
10,821	160,197	–	–	–	31	160,228
–	–	34,081	346	34,427	–	34,427
$10,821	$160,197	$ 34,081	$ 346	$ 34,427	$ 31	$194,655
$10,224	$158,164	$ –	$ –	$ –	$ 723	$158,887
$ 761	$ 12,758	$ 13,407	$ 905	$ 14,312	$ 443	$ 27,513
$ 379	$ 10,085	$ 5,548	$ 148	$ 5,696	$ 16	$ 15,797
$ 47	$ 1,857	$ 2,185	$ (514)	$ 1,671	$(1,329)	$ 2,199
$ 107	$ 4,029	$ 13,106	$ (35)	$ 13,071	$(1,493)	$ 15,607
$ (172)	$ (2,775)	$ 1,197	$ (4)	$ 1,193	$(4,288)	$ (5,870)
$ 527	$ 596	$ (6)	$ –	$ (6)	$ 20	$ 610
$ (243)	$ (9,964)	$ 2,280	$ (23)	$ 2,257	$(2,601)	$ (10,308)
$ (246)	$ (10,073)	$ 2,280	$ (23)	$ 2,257	$(2,601)	$ (10,417)
$ 2,590	$ 3,122	$ 308	$ (308)	$ –	$ 120	$ 3,242
$10,138	$162,019	$320,557	$(8,613)	$311,944	$ 193	$474,156
$ –	$ 757	$ 2,446	$ –	$ 2,446	$ –	$ 3,203
$ 839	$ 7,882	$ 279	$ 4	$ 283	$ 14	$ 8,179
$ 6,072	$162,365	$ –	$ –	$ –	$ 976	$163,341
903	4	–	–	–	(4)	–
6,975	162,369	–	–	–	972	163,341
–	–	31,225	785	32,010	–	32,010
$ 6,975	$162,369	$ 31,225	$ 785	$ 32,010	$ 972	$195,351
$ 6,386	$150,360	$ –	$ –	$ –	$ 1,755	$152,115
$ 595	$ 11,486	$ 12,988	$ 1,128	$ 14,116	$ 367	$ 25,969
$ 235	$ 8,640	$ 5,299	$ 224	$ 5,523	$ 39	$ 14,202
$ 13	$ 1,451	$ 1,117	$ (310)	$ 807	$ (843)	$ 1,415
$ 21	$ 3,244	$ 9,659	$ (34)	$ 9,625	$ (956)	$ 11,913
$ (11)	$ (1,177)	$ 1,362	$ (19)	$ 1,343	$(1,292)	$ (1,126)
$ 666	$ 823	$ (6)	$ –	$ (6)	$ (16)	$ 801
$ 731	$ 1,370	$ 2,894	$ (18)	$ 2,876	$(1,545)	$ 2,701
$ 4,541	$ 6,751	$ 179	$ (179)	$ –	$ 1	$ 6,752
$ 5,054	$162,536	$324,042	$(3,839)	$320,203	$(2,079)	$480,660
$ –	$ 600	$ 3,274	$ –	$ 3,274	$ –	$ 3,874
$ 496	$ 7,148	$ 470	$ (1)	$ 469	$ 136	$ 7,753

Note 27. Segment Reporting *(concluded)*

Information concerning principal geographic areas was as follows:

(Dollars in millions)	2006		2005		2004	
	Net Sales & Revenues	**Long Lived Assets(1)**	Net Sales & Revenues	Long Lived Assets(1)	Net Sales & Revenues	Long Lived Assets(1)
North America						
United States	**$129,041**	**$39,434**	$124,615	$49,619	$132,612	$46,810
Canada and Mexico	**19,979**	**4,906**	16,769	12,739	15,484	10,442
Total North America	**149,020**	**44,340**	141,384	62,358	148,096	57,252
Europe						
France	**2,411**	**284**	2,612	333	2,669	262
Germany	**7,687**	**3,651**	7,384	4,090	6,710	4,479
Spain	**2,866**	**1,364**	2,847	1,182	2,661	1,181
United Kingdom	**7,975**	**1,143**	7,859	1,958	7,563	2,273
Other	**13,407**	**3,583**	12,834	3,794	13,538	3,811
Total Europe	**34,346**	**10,025**	33,536	11,357	33,141	12,006
Latin America						
Brazil	**4,961**	**882**	3,813	784	2,987	609
Other Latin America	**4,768**	**159**	3,829	162	2,696	180
Total Latin America	**9,729**	**1,041**	7,642	946	5,683	789
Asia Pacific						
Australia	**301**	**18**	357	–	381	–
Korea	**7,550**	**2,154**	2,861	1,523	–	–
Other Asia Pacific	**3,353**	**2,126**	5,362	1,981	5,823	1,957
Total Asia Pacific	**11,204**	**4,298**	8,580	3,504	6,204	1,957
All Other	**3,050**	**158**	3,513	313	2,227	1,333
Total	**$207,349**	**$59,862**	$194,655	$78,478	$195,351	$73,337

(1) *Consists of property (Note 14), and equipment on operating leases (Note 12), net of accumulated depreciation.*

Note 28. Transactions with GMAC

As part of the sale of a 51% controlling interest in GMAC, GM entered into various operating and financing arrangements with GMAC. The nature and terms of these arrangements were negotiated at arm's length. The following describes the transactions and related impacts that occurred between GM and GMAC for the month of December 2006 that have not been eliminated in GM's consolidated financial statements:

MARKETING INCENTIVES AND OPERATING LEASE RESIDUALS

As a marketing incentive, GM may sponsor interest rate support and residual support programs as a way to lower customers' monthly lease payments. Under the interest rate support programs, GM pays an amount to GMAC at the time of lease contract origination to adjust the interest rate implicit in the lease contract below GMAC's standard interest rate. Under the residual support programs, the customers' contractual residual value is adjusted above GMAC's standard residual values. GM reimburses GMAC to the extent that remarketing sales proceeds are less than the customers' contractual residual value, limited to GMAC's standard residual value. In addition to interest rate support and residual support programs, GM also participates in a risk sharing arrangement with GMAC in which GM, in certain circumstances, reimburses GMAC for a portion of any shortfall between the standard residual value and the resale proceeds. The terms and conditions of interest rate support and residual support programs, as well as the risk sharing arrangement, are included in the U.S., Canadian, and International Consumer Financing Services Agreements, which expire in November 2016.

In addition, as it relates to U.S. lease originations and all U.S. balloon retail contract originations occurring after April 30, 2006 that GMAC retained after the consummation of the sale transaction, GM agreed to begin payment of the present value of the expected residual support owed to GMAC at the time of contract origination as opposed to after contract termination at the time of sale of the related used vehicle. The residual support amount GM owes GMAC is adjusted as the leases terminate and, in cases where the estimate was incorrect, GM may be obligated to pay GMAC or GMAC may be obliged to reimburse GM, under the terms of the residual support programs. For the affected contracts originated through December 2006, GM paid or agreed to pay GMAC a total of $486 million. Based on the U.S. operating lease portfolio outstanding, at December 31, 2006 the maximum additional amount that could be paid by GM under the residual support programs is approximately $276 million and would only be paid in the unlikely event that the proceeds from the entire lease portfolio of assets would be lower than both the contractual residual value and GMAC's standard residual rates. Based on the U.S. operating lease portfolio outstanding at December 31, 2006, the maximum amount that could be paid under the risk sharing arrangement is approximately $339 million and would only be paid in the unlikely event that the proceeds from all outstanding lease vehicles would be lower than GMAC's standard residual rates.

EXCLUSIVITY ARRANGEMENT

Subject to GMAC's fulfillment of certain conditions, GM has granted GMAC exclusivity for U.S., Canadian, and international GM-sponsored consumer and wholesale marketing incentives for GM products in specified markets around the world, with the exception of Saturn branded products. In return for this exclusivity, GMAC will pay GM an annual exclusivity fee of $105 million ($75 million for the U.S. retail business, $15 million for the Canadian retail business, $10 million for retail business in international operations, and $5 million for the dealer business) and is committed to provide financing to GM customers and dealers consistent with historical practices.

MARKETING SERVICE AGREEMENT

GM and GMAC have entered into a ten-year marketing, promoting, advertising, and customer support arrangement related to GM products, GMAC products and the retail financing for GM products.

Note 28. Transactions with GMAC *(concluded)*

ROYALTY ARRANGEMENT

For certain insurance products, GM and GMAC have entered into ten-year intellectual property license agreements giving GMAC the right to use the GM name on certain insurance products. In exchange, GMAC will pay to GM a royalty fee of 3.25% of revenue, net of cancellations, related to these products with a minimum annual guarantee of $15 million. The amount of royalty recognized for the year ended December 31. 2006 was approximately $1 million.

SHARED AND TRANSITION SERVICES AGREEMENT

GM and GMAC entered into a Shared and Transition Services Agreement to continue to provide to each other global support services, such as Treasury, Tax, Real Estate, and Human Resources for a transition period of one to two years. GM expects that when the Shared and Transition Services Agreement expires, GM and GMAC will either renew such services agreement or that GM and GMAC will perform the related services internally or outsource to other providers.

Balance Sheet

A summary of the balance sheet effects of transactions with GMAC are as follows (dollars in millions):

December 31,	**2006**
Assets:	
Accounts and notes receivable (a)	**$ 676**
Other assets (b)	**20**
Liabilities:	
Accounts payable (c)	**1,716**
Loans payable (d)	**2,901**
Accrued expenses (e)	**29**
Long-term debt (f)	**445**

(a) *Represents wholesale settlements due from GMAC, as well as amounts owing by GMAC with respect to the operating lease assets transferred to GM.*
(b) *Represents mainly Preferred Membership Interest distributions due from GMAC.*
(c) *Represents the approximately $1.0 billion capital contribution to GMAC to restore its adjusted tangible equity balance to the contractually required amount of $14.4 billion, due to the decrease in the adjusted tangible equity balance of GMAC as of November 30, 2006.*
(d) *Represents wholesale financing, sales of receivable transactions, and the short term portion of term loans provided to certain dealerships wholly owned by GM or in which GM has an equity interest. In addition, includes borrowing arrangements with Adam Opel and arrangements related to GMAC's funding of GM company-owned vehicles, rental car vehicles awaiting sale at auction, and funding of the sale of GM vehicles in which GM retains title while the vehicles are consigned to GMAC or dealers in the United Kingdom. The financing to GM remains outstanding until the title is transferred to the dealers. Also includes the short term portion of a note provided to a wholly owned subsidiary of GM holding debt related to the operating leases transferred to GM.*
(e) *Represents mainly interest accrued on the transactions in (d) above.*
(f) *Represents the long term portion of term loans and a note payable in respect of the operating leases transferred to GM mentioned in (d) above.*

Statement of Operations

A summary of the income statement effects of transactions with GMAC for the month of December 2006 are as follows (dollars in millions):

Net sales and revenues (a)	$(104)
Automotive interest income and other non-operating income (b)	20
Cost of sales and other expenses	1
Interest expense (c)	22
Servicing expense (d)	18
Derivatives (e)	6

(a) *Represents the reduction in net sales and revenues related to the amount of residual support accrued under the residual support and risk sharing programs, rate support under the interest rate support programs, operating lease and finance receivable capitalized cost reduction incentives paid to GMAC to reduce the capitalized cost in automotive lease contracts and retail automotive contracts, and costs under lease pull-ahead programs. GM sponsors lease pull-ahead programs, by which consumers are encouraged to terminate lease contracts early in conjunction with the acquisition of a new GM vehicle, with the customer's remaining payment obligation waived. For certain programs, GM compensates GMAC for the waived payments, adjusted for the remarketing results associated with the underlying vehicle.*
(b) *Represents Preferred Membership Interest distributions and payments to GM for services and rent.*
(c) *Represents interest on term loans, notes payable and wholesale settlements. The settlement terms related to the wholesale financing of certain GM products are at shipment date. To the extent that wholesale settlements with GM are made prior to the expiration of transit, GM pays interest to GMAC.*
(d) *Represents servicing fee paid to GMAC related to the automotive leases distributed to GM prior to the closing of the GMAC sale transaction.*
(e) *Represents the loss related to a derivative transaction entered into with GMAC as counterparty.*

Note 29. Other Expenses

Other expenses included the following:

	Years Ended December 31,		
(Dollars in millions)	**2006**	2005	2004
Loss on controlling interest of GMAC (see Note 4)	**$2,910**	$ –	$ –
FHI impairment loss (see Note 7)	**–**	812	–
Delphi contingent exposure (see Note 20)	**500**	5,500	–
Goodwill impairment – GMAC (see Note 15)	**828**	712	–
Fiat settlement/writedown (see Note 7)	**–**	–	1,584
Total other expenses	**$4,238**	$7,024	$1,584

Note 30. Supplementary Quarterly Financial Information (Unaudited)

(Dollars in millions, except per share amounts)	Quarters						
	1st (2)		2nd (2)		3rd (2)		4th (2) (3)
	Previously Reported(1)	Restated	Previously Reported(1)	Restated	Previously Reported(1)	Restated	Reported
2006							
Total net sales and revenue	**$51,397**	**$52,376**	**$53,378**	**$54,464**	**$48,465**	**$49,300**	**$51,209**
Operating income (loss)	**$ (276)**	**$ (47)**	**$ (6,219)**	**$ (6,184)**	**$ (1,322)**	**$ (1,305)**	**$ (132)**
Income (loss) from continuing operations	**$ 445**	**$ 602**	**$ (3,379)**	**$ (3,383)**	**$ (91)**	**$ (147)**	**$ 950**
Net income (loss)	**$ 445**	**$ 602**	**$ (3,379)**	**$ (3,383)**	**$ (91)**	**$ (147)**	**$ 950**
Basic earnings (loss) per share from continuing operations	**$ 0.79**	**$ 1.06**	**$ (5.97)**	**$ (5.98)**	**$ (0.16)**	**$ (0.26)**	**$ 1.68**
Diluted earnings (loss) per share from continuing operations	**$ 0.78**	**$ 1.06**	**$ (5.97)**	**$ (5.98)**	**$ (0.16)**	**$ (0.26)**	**$ 1.68**

(Dollars in millions, except per share amounts)	Quarters							
	1st (4)		2nd (4)		3rd (4)		4th (4) (5)	
	Previously Reported(1)	Restated	Previously Reported(1)	Restated	Previously Reported(1)	Restated	Reported	Restated
2005								
Total net sales and revenue	$45,458	$46,286	$48,168	$48,990	$46,835	$47,727	$ 50,723	$ 51,652
Operating income (loss)	$ (2,609)	$ (2,523)	$ (1,706)	$ (1,522)	$ (3,218)	$ (3,095)	$(10,818)	$(10,666)
Income (loss) from continuing operations	$ (1,253)	$ (1,250)	$ (987)	$ (917)	$ (1,664)	$ (1,673)	$ (6,554)	$ (6,468)
Cumulative effect of a change in accounting principle	–	–	–	–	–	–	(109)	(109)
Net income (loss)	$ (1,253)	$ (1,250)	$ (987)	$ (917)	$ (1,664)	$ (1,673)	$ (6,663)	$ (6,577)
Basic earnings (loss) per share from continuing operations	$ (2.22)	$ (2.21)	$ (1.75)	$ (1.62)	$ (2.94)	$ (2.96)	$ (11.59)	$ (11.44)
Cumulative effect of a change in accounting principle	–	–	–	–	–	–	(0.19)	(0.19)
Total	$ (2.22)	$ (2.21)	$ (1.75)	$ (1.62)	$ (2.94)	$ (2.96)	$ (11.78)	$ (11.63)
Diluted earnings (loss) per share from continuing operations	$ (2.22)	$ (2.21)	$ (1.75)	$ (1.62)	$ (2.94)	$ (2.96)	$ (11.59)	$ (11.44)
Cumulative effect of a change in accounting principle	–	–	–	–	–	–	(0.19)	(0.19)
Total	$ (2.22)	$ (2.21)	$ (1.75)	$ (1.62)	$ (2.94)	$ (2.96)	$ (11.78)	$ (11.63)

Note 30. Supplementary Quarterly Financial Information (Unaudited) *(continued)*

	Quarters					
(Dollars in millions, except per share amounts)	March 31		June 30		September 30	
	Previously Reported(1)	Restated	Previously Reported(1)	Restated	Previously Reported(1)	Restated
2006						
Net sales and revenue						
Automotive sales	$42,542	$43,529	$44,311	$45,377	$39,101	$40,020
Financial services and insurance revenue	8,855	8,847	9,067	9,087	9,364	9,280
Total net sales and revenue	$51,397	$52,376	$53,378	$54,464	$48,465	$49,300
Costs and expenses						
Automotive costs of sales	39,514	40,073	46,851	47,737	36,720	37,467
Selling, general and administrative expenses	7,198	7,152	6,069	6,077	5,708	5,701
Interest expense	4,229	4,435	4,531	4,705	4,850	4,411
Provisions for financing and insurance operations for credit and insurance losses	732	763	938	921	1,066	1,083
Other expense	–	–	1,208	1,208	1,443	1,943
Total costs and expenses	51,673	52,423	59,597	60,648	49,787	50,605
Operating income (loss)	(276)	(47)	(6,219)	(6,184)	(1,322)	(1,305)
Automotive interest income and other non-operating income/(expense), net	848	798	1,017	991	423	308
Income/(loss) before income tax (benefit) expense, equity income (loss) and minority interest	572	751	(5,202)	(5,193)	(899)	(997)
Tax (benefit) expense	194	232	(1,655)	(1,651)	(867)	(899)
Equity income (loss) and minority interest	67	83	168	159	(59)	(49)
Net income (loss)	$ 445	$ 602	$ (3,379)	$ (3,383)	$ (91)	$ (147)
Income (loss) per share attributable to common stock, basic	$ 0.79	$ 1.06	$ (5.97)	$ (5.98)	$ (0.16)	$ (0.26)
Cash dividends per share	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.25
Weighted average common shares outstanding, basic (millions)	566	566	566	566	566	566
Income (loss) per share attributable to common stock, diluted	$ 0.78	$ 1.06	$ (5.97)	$ (5.98)	$ (0.16)	$ (0.26)
Weighted average common shares outstanding, diluted (millions)	569	569	566	566	566	566

Note 30. Supplementary Quarterly Financial Information (Unaudited) *(continued)*

(Dollars in millions)	Quarters					
	March 31		June 30		September 30	
	Previously Reported(1)	Restated	Previously Reported(1)	Restated	Previously Reported(1)	Restated
2006						
ASSETS						
Current Assets						
Cash and cash equivalents	$ 17,427	$ 17,427	$ 19,997	$ 19,997	$ 17,802	$ 17,802
Marketable securities	1,396	1,396	115	115	107	107
Total cash and marketable securities	18,823	18,823	20,112	20,112	17,909	17,909
Accounts and notes receivable (less allowances)	9,440	6,966	10,302	7,572	9,022	6,855
Inventories (less allowances)	14,862	14,867	14,449	14,496	14,825	14,822
Net equipment on operating leases (less accumulated depreciation)	7,217	7,217	6,892	6,891	6,569	6,569
Deferred income taxes and other current assets	10,032	10,139	10,260	10,376	10,698	10,813
Total current assets	60,374	58,012	62,015	59,447	59,023	56,968
Financing and insurance operations						
Cash and cash equivalents	17,441	17,441	2,848	2,848	3,089	3,089
Investments in securities	18,443	18,443	199	199	80	80
Finance receivables, net	180,161	180,173	4,284	4,284	117	117
Loans held for sale	18,171	18,171	–	–	–	–
Assets held for sale (less allowances)	–	–	274,294	274,267	282,955	282,847
Net equipment on operating leases (less accumulated depreciation)	32,570	32,570	16,533	16,533	13,325	13,325
Other assets	31,608	28,996	3,925	1,374	4,181	1,630
Total financing and insurance operations assets	298,394	295,794	302,083	299,505	303,747	301,088
Non-current assets						
Equity in net assets of unconsolidated Affiliates	1,830	1,789	1,901	1,856	2,030	1,991
Property, net	38,457	38,551	38,535	38,639	38,893	38,959
Intangible assets, net	1,851	1,855	1,662	1,663	1,649	1,649
Deferred income taxes	21,034	22,387	23,083	24,382	23,496	24,860
Prepaid pension	37,592	37,478	37,594	37,480	37,805	37,691
Other assets	4,132	6,273	3,633	6,019	2,935	4,717
Total non-current assets	104,896	108,333	106,408	110,039	106,808	109,867
Total Assets	$463,664	$462,139	$470,506	$468,991	$469,578	$467,923

Note 30. Supplementary Quarterly Financial Information (Unaudited) *(continued)*

	Quarters					
(Dollars in millions)	March 31		June 30		September 30	
	Previously Reported(1)	Restated	Previously Reported(1)	Restated	Previously Reported(1)	Restated
2006						
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable (principally trade)	$ 26,614	$ 26,872	$ 27,674	$ 27,930	$ 27,113	$ 27,318
Loans payable	1,207	1,294	1,254	1,340	1,346	1,436
Accrued expenses	43,317	43,424	48,441	48,516	40,183	40,235
Total current liabilities	71,138	71,590	77,369	77,786	68,642	68,989
Finance and Insurance Operations Liabilities						
Accounts payable	3,596	3,596	23	23	32	32
Liabilities related to assets held for sale	–	–	267,551	267,925	272,725	272,869
Debt	244,779	245,260	12,849	12,849	10,073	10,073
Other liabilities and deferred income taxes	31,924	29,136	4,804	2,255	4,762	2,211
Total Financing and Insurance Operations Liabilities	280,299	277,992	285,227	283,052	287,592	285,185
Non-current liabilities						
Long-term debt	31,021	32,612	31,275	32,946	31,414	33,118
Postretirement benefits other than pensions	31,431	31,431	30,668	30,668	34,211	34,211
Pensions	11,576	11,576	11,502	11,498	15,937	15,937
Other liabilities and deferred income taxes	21,699	20,084	21,744	20,014	19,426	17,714
Total non-current liabilities	95,727	95,703	95,189	95,126	100,988	100,980
Total Liabilities	447,164	445,285	457,785	455,964	457,222	455,154
Minority interest	1,075	1,075	1,081	1,084	1,212	1,210
Stockholders' equity						
$1 2/3 par value common stock (outstanding, 565,559,329; 565,607,779; and 565,611,157 shares)	943	943	943	943	943	943
Capital surplus (principally additional paid-in-capital)	15,296	15,296	15,306	15,306	15,316	15,316
Retained earnings (accumulated deficit)	2,652	3,408	(869)	(117)	(1,101)	(405)
Accumulated other comprehensive income (loss)	(3,466)	(3,868)	(3,740)	(4,189)	(4,014)	(4,295)
Total stockholders' equity	15,425	15,779	11,640	11,943	11,144	11,559
Total liabilities and stockholders' equity	$463,664	462,139	$470,506	$468,991	$469,578	$467,923

	Quarters					
(In millions, except per share amounts)	March 31		June 30		September 30	
	Previously Reported(1)	Restated	Previously Reported(1)	Restated	Previously Reported(1)	Restated
2005						
Net sales and revenue						
Automotive sales	$36,988	$37,793	$39,877	$40,686	$38,016	$38,921
Financial services and insurance revenue	8,470	8,493	8,291	8,304	8,819	8,806
Total net sales and revenue	$45,458	$46,286	$48,168	$48,990	$46,835	$47,727
Costs and expenses						
Automotive cost of sales	37,146	37,781	37,908	38,848	38,130	38,919
Selling, general and administrative expenses	6,324	6,353	6,645	6,644	6,886	6,854
Interest expense	3,679	3,773	3,712	3,395	4,059	4,071
Provisions for financing and insurance operations for credit and insurance losses	918	902	797	813	978	978
Other expense	–	–	812	812	–	–
Total costs and expenses	48,067	48,809	49,874	50,512	50,053	50,822
Operating income (loss)	(2,609)	(2,523)	(1,706)	(1,522)	(3,218)	(3,095)
Automotive interest income and other non-operating income/(expense), net	315	227	301	231	347	210
Income (loss) before income tax (benefit) expense, equity income (loss) and minority interest	(2,294)	(2,296)	(1,405)	(1,291)	(2,871)	(2,885)
Tax (benefit) expense	(972)	(982)	(245)	(205)	(1,107)	(1,116)
Equity income (loss) and minority interest	69	64	173	169	100	96
Net income (loss)	$ (1,253)	$ (1,250)	$ (987)	$ (917)	$ (1,664)	$ (1,673)
Income (loss) per share attributable to common stock, basic and diluted	$ (2.22)	$ (2.21)	$ (1.75)	$ (1.62)	$ (2.94)	$ (2.96)
Cash dividends per share	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50
Weighted average common shares outstanding, basic and diluted (millions)	565	565	565	565	566	566

Note 30. Supplementary Quarterly Financial Information (Unaudited) *(continued)*

	Quarters					
(Dollars in millions)	March 31		June 30		September 30	
	Previously Reported(1)	Restated	Previously Reported(1)	Restated	Previously Reported(1)	Restated
2005						
ASSETS						
Current Assets						
Cash and cash equivalents	$ 10,205	$ 10,205	$ 12,445	$ 12,445	$ 13,695	$ 13,695
Marketable securities	5,447	5,447	3,629	3,629	1,437	1,437
Total cash and marketable securities	15,652	15,652	16,074	16,074	15,132	15,132
Accounts and notes receivable (less allowances)	6,493	5,096	8,087	6,708	7,800	6,153
Inventories (less allowances)	12,736	12,753	12,818	12,827	13,755	13,764
Net equipment on operating leases (less accumulated depreciation)	6,329	6,329	6,723	6,723	7,302	7,302
Deferred income taxes and other current assets	10,975	10,971	10,516	10,513	9,778	9,775
Total current assets	52,185	50,801	54,218	52,845	53,767	52,126
Financing and insurance operations						
Cash and cash equivalents	16,184	16,184	19,816	19,816	21,394	21,394
Investments in securities	20,809	20,809	19,384	19,384	16,575	16,575
Finance receivables, net	190,646	190,684	178,137	178,179	177,082	177,110
Loans held for sale	22,569	22,569	26,903	26,903	17,581	17,581
Assets held for sale (less allowances)	–	–	–	–	18,748	18,748
Net equipment on operating leases (less accumulated depreciation)	28,042	28,042	29,353	29,353	30,670	30,670
Other assets	34,849	32,200	33,228	30,625	27,975	25,390
Total financing and insurance operations assets	313,099	310,488	306,821	304,260	310,025	307,468
Non-current assets						
Equity in net assets of unconsolidated affiliates	6,500	6,473	4,156	4,124	4,260	4,222
Property, net	36,265	36,363	38,480	38,578	37,860	37,958
Intangible assets, net	1,550	1,550	1,658	1,658	1,674	1,674
Deferred income taxes	18,093	19,413	19,253	20,569	20,731	22,041
Prepaid pension	38,576	38,576	38,255	38,255	37,949	37,949
Other assets	1,829	2,775	3,160	4,061	3,152	4,353
Total non-current assets	102,813	105,150	104,962	107,245	105,626	108,197
Total Assets	$468,097	$466,439	$466,001	$464,350	$469,418	$467,791

Note 30. Supplementary Quarterly Financial Information (Unaudited) *(continued)*

(Dollars in millions)	March 31 Previously Reported(1)	March 31 Restated	June 30 Previously Reported(1)	June 30 Restated	September 30 Previously Reported(1)	September 30 Restated
2005						
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable (principally trade)	$ 24,168	$ 24,356	$ 25,361	$ 25,508	$ 26,784	$ 26,942
Loans payable	2,446	2,515	1,563	1,652	1,509	1,597
Accrued expenses	44,544	44,624	44,517	44,592	43,280	43,351
Total current liabilities	71,158	71,495	71,441	71,752	71,573	71,890
Finance and Insurance Operations Liabilities						
Accounts payable	4,351	4,351	3,333	3,333	3,102	3,102
Liabilities related to assets held for sale	–	–	–	–	12,319	12,319
Debt	259,506	259,742	251,015	251,022	245,794	245,968
Other liabilities and deferred income taxes	28,814	26,120	32,473	29,902	29,298	26,646
Total Financing and Insurance Operations Liabilities	292,671	290,213	286,821	284,257	290,513	288,035
Non-current liabilities						
Long-term debt	29,879	30,895	31,043	32,118	30,929	32,021
Postretirement benefits other than pensions	23,754	23,754	25,882	25,882	27,445	27,445
Pensions	9,204	9,215	9,619	9,630	9,877	9,888
Other liabilities and deferred income taxes	15,924	14,870	16,447	15,314	16,273	15,123
Total non-current liabilities	78,761	78,734	82,991	82,944	84,524	84,477
Total Liabilities	442,590	440,442	441,253	438,953	446,610	444,402
Minority interest	416	416	902	902	829	829
Stockholders' equity						
$1 2/3 par value common stock (outstanding, 565,470,511; 565,503,422; and 565,504,852 shares)	942	942	943	943	943	943
Capital surplus (principally additional paid-in-capital)	15,234	15,234	15,255	15,255	15,281	15,281
Retained earnings	12,526	12,978	11,252	11,774	9,295	9,808
Accumulated other comprehensive income (loss)	(3,611)	(3,573)	(3,604)	(3,477)	(3,540)	(3,472)
Total stockholders' equity	25,091	25,581	23,846	24,495	21,979	22,560
Total liabilities and stockholders' equity	$468,097	$466,439	$466,001	$464,350	$469,418	$467,791

(1) *As reported in the Corporation's Form 10-Q for the applicable periods then ended.*

(2) *GM previously disclosed that it would restate its consolidated financial statements to correct its accounting for (1) certain derivative transactions under SFAS No. 133, (2) deferred income taxes under SFAS No. 109, and (3) other various adjustments. The restatement effects for the first three quarters of 2006 are summarized below. This restatement did not affect cash flows.*

	2006 Quarters 1st	2nd	3rd
Net income (loss), as previously reported	$445	$(3,379)	$ (91)
Pre-tax adjustments:			
Derivatives and hedge accounting (a)	274	(138)	61
Unemployment benefit payments (a)	(50)	–	–
Development costs (a)	57	–	–
Advertising expenses (a)	(35)	(5)	17
Gain on sale of equity method investment (b)	36	–	–
Employee-related costs (c)	(52)	80	(52)
Impairment of long-lived assets (a)	10	(1)	(42)
Other adjustments (d)	(46)	57	(49)
Total pre-tax adjustments	194	(7)	(65)
Tax effects – provision/(benefit)	37	(3)	(9)
Total of above adjustments, net of tax	157	(4)	(56)
Net income (loss), as restated	$602	$(3,383)	$(147)

(a) *Refer to Note 2 to the Consolidated Financial Statements for background related to these adjustments.*

(b) *GM erroneously determined its gain on the sale of a portion of an equity method investment.*

(c) *GM erroneously recorded employee-related costs related to the Special Attrition Program (See Note 19 to the Consolidated Financial Statements) and restructuring activities at GME (See Note 5 to the Consolidated Financial Statements). The adjustments were recorded to correct Automotive cost of sales in each quarterly period shown above.*

(d) *Subsequent to the completion of our previously filed consolidated financial statements for each period being restated, we identified adjustments that should have been recorded in these earlier periods. Upon identification, we determined these adjustments to be immaterial, individually and in the aggregate, to our previously filed consolidated financial statements, and recorded these out-of-period adjustments in the periods in which they were identified. Due to the adjustments that required a restatement of our previously filed consolidated financial statements, we are also reversing these out-of-period adjustments and recording them in the proper periods.*

In addition to the above adjustments, to comply with EITF 00-10, "Accounting for Shipping and Handling Fees and Costs", in 2006 GM reclassified shipping and handling costs incurred to transport product to its customers. The correction for this reclassification increased Automotive sales and Automotive cost of sales for the first, second and third quarters in the year ended December 31, 2006 in the amount of $1.0 billion, $1.1 billion, and $900 million, respectively. This correction did not affect net income (loss) or earnings (loss) per share.

(3) *Fourth quarter 2006 results include the following after-tax items:*
- *A gain of $175 million related to the sale of the desert proving grounds in Mesa, Arizona.*
- *A charge of $111 million for severance costs associated with a previously announced restructuring plan at GME.*
- *A charge of $53 million associated with plant and product impairments and separation costs at GM Holden.*
- *Gains of approximately $712 million associated with pension/OPEB curtailment related to GMAC salaried employees no longer receiving credited service under the GM benefit plans and sales of marketable securities held by GMAC's insurance business.*
- *A gain of $208 million related to the settlement of residual support and risk sharing obligations as part of the GMAC Transaction on existing leases at May 1, 2006 and on new lease originations subsequent to this date. See Note 4.*

Note 30. Supplementary Quarterly Financial Information (Unaudited) *(concluded)*

(4) *The restatement effects for the quarterly results of 2005 are summarized below. This restatement did not affect cash flows.*

	2005 Quarters			
	1st	2nd	3rd	4th
Net income (loss), as previously reported	$(1,253)	$(987)	$(1,664)	$(6,663)
Pre-tax adjustments:				
Derivatives and hedge accounting (a)	(80)	(12)	(26)	207
Available-for-sale securities (a)	68	98	(8)	–
Unemployment benefit payments (a)	–	–	–	50
Utility accruals (b)	(5)	20	(5)	(25)
Other adjustments (c)	10	3	21	(172)
Total pre-tax adjustments	(7)	109	(18)	60
Tax effects – provision/(benefit)	(10)	39	(9)	2
Total of above adjustments, net of tax	3	70	(9)	58
Income tax adjustment (d)	–	–	–	28
Net after-tax adjustments	3	70	(9)	86
Net income (loss), as restated	$(1,250)	$(917)	$(1,673)	$(6,577)

(a) *Refer to Note 2 to the Consolidated Financial Statements for background related to these adjustments.*

(b) *GM erroneously recorded its utility-related accruals in the improper periods. The adjustment was recorded to correct Automotive cost of sales in each quarterly period shown above.*

(c) *Subsequent to the completion of our previously filed consolidated financial statements for each period being restated, we identified adjustments that should have been recorded in these earlier periods. Upon identification, we determined these adjustments to be immaterial, individually and in the aggregate, to our previously filed consolidated financial statements, and recorded these out of period adjustments in the periods in which they were identified. Due to the adjustments that required a restatement of our previously filed consolidated financial statements, we are also reversing these out-of-period adjustments and recording them in the proper periods.*

In addition to the above adjustments, to comply with EITF 00-10, "Accounting for Shipping and Handling Fees and Costs", in 2006, GM reclassified shipping and handling costs incurred to transport product to its customers. The correction for this reclassification increased Automotive sales and Automotive cost of sales for the first, second, third, and fourth quarters in the year ended December 31, 2005 in the amount of $850 million, $846 million, $890 million and $1.0 billion, respectively. This correction did not affect net income (loss) or earnings (loss) per share.

(d) *GM erroneously recorded an adjustment to its income taxes payable as part of the 2005 provision to return reconciliation process.*

(5) *Fourth quarter 2005 results include the following after-tax items:*

- *A charge of $1.7 billion in connection with the North American manufacturing capacity actions announced in November 2005. This charge includes $1.2 billion associated with the hourly employees at the facilities GM is idling and $455 million for the non-cash write-down of property, plants and equipment.*
- *A charge of $3.6 billion for GM's contingent exposures relating to Delphi's Chapter 11 filing, including under the benefit guarantees for certain former GM U.S. hourly employees who transferred to Delphi.*
- *A gain of $71 million related to the sale of GM's investment in the common stock of FHI, due to the appreciation of the fair value of such stock after June 30, 2005, the date of the FHI impairment charge. Also in the fourth quarter, GME recorded cancellation charges of $20 million related to FHI, resulting in a net adjustment of $51 million in the fourth quarter.*
- *Restructuring charges totaling $114 million, as follows: An additional charge related to the GME restructuring plan noted above, of $69 million for approximately 800 additional separations, as well as charges related to previous separations that are required to be amortized over future periods; $38 million at GMAP; and $7 million at Other.*
- *A charge of $109 million related to the adoption of FIN 47, "Accounting for Conditional Asset Retirement Obligations," as of December 31, 2005, which was recorded as the cumulative effect of a change in accounting principle.*
- *A benefit of $49 million related to the effect of changes in Polish tax law at a GM Powertrain joint venture; such amount is included in equity income.*
- *The recognition of a valuation allowance of $617 million against deferred tax assets at GM do Brasil.*

Selected Financial Data

	Years Ended December 31,								
	2006	2005		2004		2003		2002	
(Dollars in millions except per share amounts)	Reported	Previously Reported	Restated (1)	Previously Reported	Restated (1)	Previously Reported	Restated (1)	Previously Reported	Restated (1)
Total net sales and revenues (2)	$207,349	$191,184	$194,655	$191,909	$195,351	$183,255	$186,065	$176,723	$179,292
Income (loss) from continuing operations	$ (1,978)	$ (10,458)	$ (10,308)	$ 2,804	$ 2,701	$ 2,899	$ 2,565	$ 1,813	$ 1,974
(Loss) from discontinued operations (3)	–	–	–	–	–	(219)	(219)	(239)	(239)
Gain from sale of discontinued operations (3)	–	–	–	–	–	1,179	1,179	–	–
Cumulative effect of a change in accounting principle (4)	–	(109)	(109)	–	–	–	–	–	–
Net income (loss) (5)	$ (1,978)	$ (10,567)	$ (10,417)	$ 2,804	$ 2,701	$ 3,859	$ 3,525	$ 1,574	$ 1,735
$1 2/3 par value common stock									
Basic earnings (loss) per share from continuing operations before cumulative effect of accounting change	$ (3.50)	$ (18.50)	$ (18.23)	$ 4.97	$ 4.78	$ 5.17	$ 4.57	$ 3.24	$ 3.52
Basic earnings (loss) per share from discontinued operations (3)	–	–	–	–	–	2.14	2.14	(0.16)	(0.16)
Basic (loss) per share from cumulative effect of a change in accounting principle (4)	–	(0.19)	(0.19)	–	–	–	–	–	–
Basic earnings per share	$ (3.50)	$ (18.69)	$ (18.42)	$ 4.97	$ 4.78	$ 7.31	$ 6.71	$ 3.08	$ 3.36
Diluted earnings (loss) per share from continuing operations before cumulative effect of accounting change	$ (3.50)	$ (18.50)	$ (18.23)	$ 4.94	$ 4.76	$ 5.09	$ 4.51	$ 3.23	$ 3.51
Diluted earnings (loss) per share from discontinued operations (3)	–	–	–	–	–	2.11	2.11	(0.16)	(0.16)
Diluted (loss) per share from cumulative effect of accounting change (4)	–	(0.19)	(0.19)	–	–	–	–	–	–
Diluted earnings per share	$ (3.50)	$ (18.69)	$ (18.42)	$ 4.94	$ 4.76	$ 7.20	$ 6.62	$ 3.07	$ 3.35
GM's Class H common stock (3)									
Basic earnings (loss) per share from discontinued operations	–	–	–	–	–	$ (0.22)	$ (0.22)	$ (0.21)	$ (0.21)
Diluted earnings (loss) per share from discontinued operations	–	–	–	–	–	$ (0.22)	$ (0.22)	$ (0.21)	$ (0.21)
Cash dividends declared per share (6)	$ 1.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Total assets (7)	$186,192	$476,078	$474,156	$479,921	$480,660	$448,819	$448,813	$369,346	$369,531
Notes and loans payable (7)	$ 48,171	$285,750	$287,715	$300,279	$301,965	$271,756	$273,250	$200,168	$201,093
Stockholders' equity (deficit) (8)	$ (5,441)	$ 14,597	$ 14,653	$ 27,360	$ 27,880	$ 24,903	$ 24,876	$ 6,412	$ 6,637

Certain prior period amounts have been reclassified in the consolidated statements of operations to conform to the current year presentation.

(1) *As previously disclosed in Current Reports on Forms 8-K filed February 16, 2007 and January 26, 2007, GM has restated its consolidated financial statements and financial information to correct its accounting for certain derivative instruments and deferred income taxes. In addition, GM has recorded other accounting adjustments that were previously not recorded in the proper period. Refer to Note 2 to the Consolidated Financial Statements for further information relating to the restatement. The following table sets forth a reconciliation of previously reported and restated net income (loss) and retained earnings as of the dates and for the periods shown.*

	Net Income (Loss)				Retained
(Dollars in millions except per share amounts)	2005	2004	2003	2002	Earnings at January 1, 2002
Previously reported	$(10,567)	$2,804	$3,859	$1,574	$9,223
Pre-tax adjustments:					
Derivatives and hedge accounting	89	(40)	(213)	545	(335)
Other out-of-period	118	(272)	(263)	(138)	(339)
Total pre-tax adjustments	207	(312)	(476)	407	(674)
Tax effects — provision/(benefit)	22	(207)	(202)	168	(119)
Total of above adjustments, net of tax	185	(105)	(274)	239	(555)
Deferred income taxes adjustments	(35)	2	(60)	(78)	1,280
Net after-tax adjustments	150	(103)	(334)	161	725
Restated	$(10,417)	$2,701	$3,525	$1,735	$9,948

(2) *To comply with EITF 00-10,* Accounting for Shipping and Handling Fees and Costs, *in 2006 GM reclassified shipping and handling costs incurred to transport product to its customers. This reclassification increased Automotive sales and Automotive cost of sales for the 2005, 2004, 2003, and 2002 years in the amount of $3.6 billion, $3.6 billion, $3.1 billion, and $2.8 billion, respectively. The reclassification did not impact net income (loss), or earnings (loss) per share.*

(3) *Effective December 22, 2003, GM split off Hughes by distributing Hughes common stock to the holders of GM Class H common stock in exchange for all outstanding shares of GM Class H common stock. Simultaneously, GM sold its 19.8% retained economic interest in Hughes to News Corporation in exchange for cash and News Corporation Preferred American Depository Shares. All shares of GM Class H common stock were then cancelled. GM recorded a net gain of $1.2 billion from the sale in 2003, and net losses from discontinued operations of Hughes were $219 million and $239 million in 2003 and 2002, respectively.*

(4) *As of December 31, 2005, GM recorded an asset retirement obligation of $181 million in accordance with the requirements of FASB Interpretation No. (FIN) 47, "Accounting for Conditional Asset Retirement Obligations." The cumulative effect on net loss, net of related income tax effects, of recording the asset retirement obligations was $109 million or $0.19 per share on a diluted basis.*

(5) *Effective January 1, 2003, GM began expensing the fair market value of newly granted stock options and other stock-based compensation awards issued to employees to conform to SFAS No. 123, "Accounting for Stock-Based Compensation." Effective July 1, 2003, GM began consolidating certain variable interest entities to conform to FIN 46(R), "Consolidation of Variable Interest Entities."*

(6) *In February 2006, GM's board of directors reduced the quarterly dividend on common stock from $0.50 per share to $0.25 per share.*

(7) *In November 2006, GM sold a 51% controlling ownership interest in GMAC, resulting in a significant decrease in total consolidated assets and notes and loans payable.*

(8) *As of December 31, 2006, GM recognized the funded status of its benefit plans on its consolidated balance sheet with an offsetting adjustment to accumulated other comprehensive income (loss) in stockholders' equity (deficit) of $16.9 billion in accordance with the adoption of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans."*

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

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The GM Annual Meeting of Stockholders will be held at 9 a.m. ET on Tuesday, June 5, 2007, in Wilmington, Delaware.

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Stockholders of record requiring information about their accounts should contact:

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General Motors Corporation
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Computershare representatives are available Monday through Friday from 9 a.m. to 5 p.m. ET. Automated phone service (800-331-9922) and the Computershare Web site at *www.computershare.com/gm* are always available.

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GM Stockholder Services
General Motors Corporation
Mail Code 482-C38-B71
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313-667-1500
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GM Investor Relations
General Motors Corporation
Mail Code 482-C34-D71
300 Renaissance Center
P.O. Box 300
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Available Publications
The current annual report, proxy statement, Forms 10-K and 10-Q, corporate responsibility report, *Stockholder News* newsletter and *Winning With Integrity: Our Values and Guidelines for Employee Conduct* are available electronically, or print copies may be requested at "Request Information" on *investor.gm.com.*

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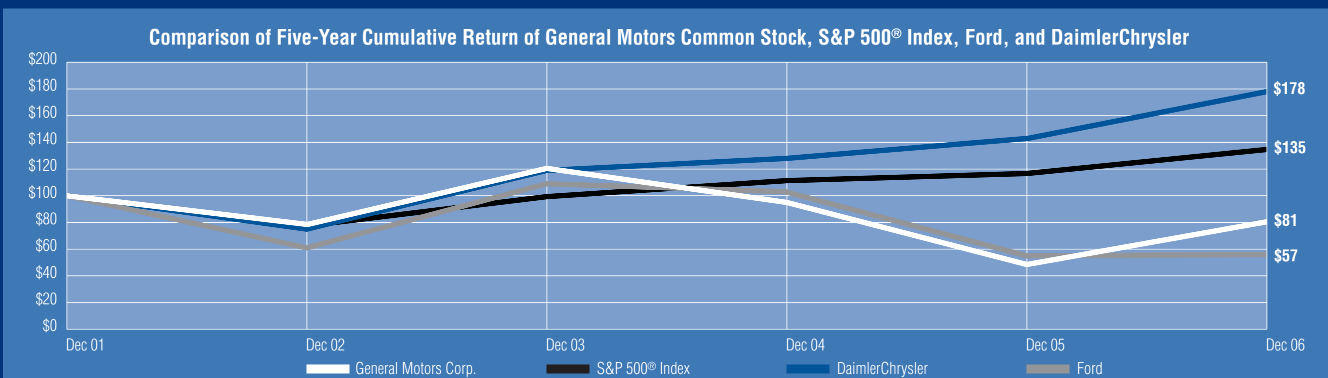
The following graph compares the five-year cumulative return to stockholders for General Motors Common Stock against the S&P 500® Index and comparator data. Each line represents an assumed initial investment of $100 on December 31, 2001, and reinvestment of dividends over the period.



This annual report is printed on paper containing 10% postconsumer waste.

Design: BCN Communications/www.bcncomm.com Printing: Cenveo Anderson Lithograph

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