GM Spins $1.2B Loss Into Positive Outlook

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DETROIT (AP) — General Motors Co. says it lost $1.2 billion from the time it left bankruptcy protection through Sept. 30, far better than it has reported in previous quarters and a sign that the auto giant is starting to turn around its business.

The company also says it will begin repaying $6.7 billion in U.S. government loans with a $1.2 billion payment in December. It could pay off the full amount by 2011, four years ahead of schedule, but the money will come from funds loaned by the government.

GM said its improved performance was fueled by new products including the Chevrolet Camaro muscle car, and the Chevrolet Equinox and GMC Terrain midsize crossover vehicles. The company's top sellers through October were the Chevrolet Silverado pickup truck and Impala full-size car.

Also, GM's global presence helped the company, particularly in China, where its sales of 478,000 in the third quarter increased 6 percent over the second quarter.

"We have significantly more work to do, but today's results provide evidence of the solid foundation we are building for the new GM," CEO Fritz Henderson said in a statement.

The company cautioned that the earnings numbers mean little because they don't comply with U.S. accounting standards and cover only the part of the quarter after GM left Chapter 11 bankruptcy protection on July 10.

Even more unusual is the $79.4 billion profit the troubled automaker is reporting for the first nine days of the third quarter, when it remained under bankruptcy court protection but was able to scrap colossal amounts of debt and other obligations from its balance sheet.

"Direct comparisons are not necessarily applicable," said Chief Financial Officer Ray Young. "You can make some judgments in terms of trends," Young said.

Nonetheless, GM maintains the numbers show a company making progress, riding dramatically reduced structural costs to a far better performance than the $6 billion loss GM reported in the first quarter, the last full quarter for which its numbers met accounting standards.

GM took in $3.3 billion more cash than it spent for the third quarter, far better than the $10 billion the company burned through during the first quarter.

Its third-quarter revenue totaled $26.4 billion, also an improvement over the first quarter when it saw revenue drop nearly 50 percent from the same period in 2008

to $22.4 billion. Revenue was aided by sales boosts in July and August from the U.S. government's Cash for Clunkers rebates.

GM said its global market share was 11.9 percent in the third quarter, up three percentage points from the first half of the year. The U.S. share stayed flat for the quarter at 19.5 percent.

Many customers stayed away from GM showrooms in the first and second quarters as it headed into bankruptcy protection, fearing the company wouldn't be around to honor warranties and service their vehicles.

Young said GM accountants are in the process of cleaning up the new company's books, revaluing assets and liabilities and changes to pension and health care costs that came from bankruptcy and a new contract with the United Auto Workers union.

GM expects to meet accounting standards when it reports full-year results for fiscal 2009, but those figures probably won't be released until March as accountants go through the complex process of figuring out just how much the company is now worth.

But Young said the third-quarter results still are useful to management in spotting trends and measuring whether the company is making progress.

GM lost $78 billion from 2006 through the first quarter of this year. The gargantuan losses and debt eventually choked the company to the point where it could no longer operate without government help.

GM entered bankruptcy protection with roughly $94.7 billion in debt. It emerged with $17 billion, including the $6.7 billion owed to the U.S. government. The government has given GM a total of $52 billion, including $45.3 billion in exchange for a 61 percent equity stake in the company.

The automaker also says it will begin repaying $1.4 billion it owes to the Canadian and Ontario governments in December. The loan repayments will come from escrow accounts set up for the company by the U.S. Treasury Department and Canadian governments. GM also has paid $700 million on a $1.3 billion loan from the German government to keep GM's Opel division in operation. The balance will be repaid this month, GM said.

Henderson said a "reasonably large" part of the Opel repayment came from GM's U.S.-generated funds, while some came from Opel funds, but Henderson said GM is a global company and needs to have flexibility to use the money to run global operations.

The CEO disagreed with a report by the General Accounting Office saying that it was doubtful the U.S. government would recoup all of the money given to GM. He said full repayment is a function of stock value, and he intends to make the stock valuable by managing the company well.

"It is my mission to disprove the GAO," Henderson said.

GM said it paid $250 million in interest for the third quarter, far lower than in previous quarters when the company was weighed down by its huge debt.

Although the company reported positive cash flow for the third quarter, it does not expect that to continue into the fourth quarter because of the government loan repayments and a $2.8 billion payment to help Delphi Corp., its former parts division, out of bankruptcy protection.

GM has said it plans to sell stock to the public late next year so taxpayers can recoup at least part of their remaining investment, though GM Chairman Ed Whitacre said last week the timing of any GM IPO remains uncertain and depends on when the company returns to profitability.

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