Chrysler Reports 2Q Loss Due To Bail Out Repayment

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DETROIT (AP) — Chrysler retreated to a loss for the second quarter, but only because the expense of shedding its government debt erased what would have been a modest profit.

The company, just two years out of bankruptcy protection, maintained that there are healthy signs despite the loss. Its turnaround continues with a revamped lineup of cars and trucks that is drawing more customers to showrooms.

Chrysler on Tuesday reported a $370 million net loss from April through June, but said it's only because of a $551 million one-time accounting charge for refinancing bailout debts to the U.S. and Canadian governments. Without the expense, Chrysler said it would have earned $181 million.

"Refinancing our debt and repaying our government loans six years early reinforces our conviction that we are on the right path," CEO Sergio Marchionne said in a statement.

Revenue for the quarter jumped 30 percent to $13.7 billion as U.S. sales rose more than 20 percent. Americans bought more Jeep Grand Cherokee SUVs and revamped cars such as the Chrysler Sebring and Dodge Avenger. The company is also getting higher prices for its vehicles, although the gains were partially offset by higher costs such as advertising.

Still, Chrysler's net loss for the quarter was more than double its loss in the second quarter of last year. Back then it struggled with poor sales and payments on high-interest government loans.

The company also said that it still expects to make a net profit of $200 million to $500 million this year, excluding the debt repayment expense. It predicted revenue of $55 billion.

It's a quick turnaround for a company that came within pennies of running out of cash as it headed into bankruptcy in May of 2009. The company and its financing arm needed $12.5 billion from U.S. taxpayers to survive as the recession hampered auto sales and brought Chrysler and General Motors Co. to the brink of collapse. The money came from the government's $700 billion bank bailout fund.

In exchange for the financing, Chrysler's former owners agreed to a restructuring that put Marchionne, who doubles as CEO of Italian automaker Fiat SpA, in charge of the company.

In late May, Chrysler refinanced $5.9 billion in debt to the U.S. government and another $1.7 billion to Canada, swapping it for a combination of bank loans and corporate bonds. The government debt averaged 11 to 12 percent annual interest rates, but that was cut to 8 percent on the bonds and 6 percent on the bank loans. Marchionne has said the interest payments kept the company in the red last year.

Last week, Fiat paid $560 million for the U.S. government's remaining 98,000 shares of Chrysler Group LLC, and it also bought a small stake held by Canada.

Fiat now owns 53.5 percent of Chrysler. That will rise to 58.5 percent when Chrysler begins making a 40 mpg compact car in the U.S. later this year.

Of the original Chrysler bailout, $11.2 billion has been repaid. The U.S. Treasury Department says it likely won't recover the remaining $1.3 billion.

Chrysler's other shareholder, a trust fund that pays health care bills for retired union workers, will end up with 41.5 percent of the company. The trust wants to convert that stake to cash, possibly in a Chrysler initial public stock offering that could come next year.

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