

Chrysler Posts 3Q Profit, Passes Labor Deal

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DETROIT (AP) — Rising sales and higher prices helped push Chrysler Group LLC back into the black in the latest quarter, another sign that the once-troubled company is turning around under its new Italian management.

The Auburn Hills, Michigan-based Chrysler reported Thursday that its net income was \$212 million for the July-September period, its second quarterly profit this year and only the second since 2006. Vehicle sales worldwide rose 24 percent, and revenue rose 19 percent to \$13.1 billion.

In last year's third quarter, the privately held company lost \$84 million, but Chrysler, now run by Italy's Fiat SpA, said its fortunes have improved because of increased demand for its new or revamped Chrysler, Dodge, Jeep and Ram cars and trucks.

"This house continues to be fully focused on financial performance and making outstanding cars and trucks by fully leveraging its alliance with Fiat," Sergio Marchionne, CEO of both companies, said in a statement.

For the first three quarters of the year, Chrysler has lost \$42 million. But that's mainly due to a \$551 million accounting charge for refinancing its government debt in the second quarter. Excluding the debt charge, the company earned \$509 million during the first nine months. Earlier in the year, Marchionne predicted Chrysler would make \$200 million to \$500 million without the refinancing charge.

Chrysler hasn't made an annual profit since 2005, but it's getting closer to profitability with a mix of strong new products. Under Marchionne, the company has changed factory procedures and is doing more rigorous quality testing, raising the reliability of its vehicles.

Chrysler's Jeep was the top brand from a U.S. automaker in Consumer Reports' latest reliability rankings, which were released Tuesday. Chrysler was also the most improved brand, moving up to 15th place from 27th. The Jeep Grand Cherokee SUV, Chrysler 200 midsize car and Dodge Durango SUV have been among the company's recent successes.

The company also saw its average U.S. sale price rise 4.5 percent for the quarter to \$30,387, according to the Edmunds.com automotive website. Chrysler's share of the U.S. market increased to 11.6 percent last quarter, from 9.7 percent a year ago.

Chrysler also got good news on the labor front this week. On Wednesday, the United Auto Workers announced that 55 percent of the Chrysler workers voting on a new contract approved the deal. The four-year pact, which covers 23,000 U.S. factory workers, will hold down the company's costs by giving workers profit-sharing and

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other bonuses instead of annual raises.

During the quarter, Chrysler also helped its bottom line by cutting interest costs through refinancing of \$7.5 billion in high-interest loans from the U.S. and Canadian governments. The company said it paid \$282 million in interest last quarter, down \$34 million from a year earlier.

Chrysler said it finished the quarter with \$12.3 billion in debt and \$9.5 billion in cash. The cash balance dropped by \$699 million during the quarter due to seasonal capital needs and increased capital spending, the company said.

Fiat controls Chrysler with a 53.3 percent stake in the company. Under a 2009 deal with the U.S. government, Fiat got a 20 percent stake in Chrysler after it exited bankruptcy protection. Fiat gradually raised its stake and gained a majority share in July, when it paid the U.S. Treasury for its remaining shares.

Fiat expects to raise its stake in Chrysler to 58.3 percent by the end of the year, when it introduces a 40 mpg car for the U.S. market. The high mileage car was also part of its deal with the government. A union trust fund that pays retiree health care costs owns the rest of the shares.

Chrysler may return to the public stock exchanges sometime next year, with the trust fund raising cash by selling at least part of its stake.

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