# Ford 3Q Profit Falls 2 Percent To $1.6B

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DEARBORN, Mich. (AP) — With its tenth straight quarterly profit under its belt, Ford Motor Co. is becoming a victim of its own success.

Ford reported a $1.6 billion profit in the third quarter, down 2 percent from a year earlier but still above Wall Street's expectations. Investors promptly pummeled the company's shares, disappointed by slowing growth, rising costs and the carmaker's decision to hold off on paying a dividend.

Ford shares fell 6 percent to $11.69 in midday trading, far below their most recent peak of $18.79 at the start of the year.

David Silver, an analyst with Wall Street Strategies, said many investors expected Ford to continue the huge profit gains of 2010. Ford's net income jumped 70 percent in the July-September period last year, mainly because 2009 was terrible.

"The expectations are extremely high," Silver said.

Many analysts, including Silver, also expected Ford to announce that it would reinstate its dividend, which it stopped paying in September 2006. But Chief Financial Officer Lewis Booth said the company isn't ready to take that step despite having $8 billion in cash. It needs to focus on improving its finances.

"We want to return to paying a dividend as soon as we think our balance sheet can stand it," Booth said.

Ford's earnings amounted to 41 cents per share. That compares with earnings of 43 cents in the third quarter a year earlier.

The company's profit was lowered by a $350 million non-cash charge to reflect falling prices of some commodities such as copper and aluminum. Ford had bet those prices would be higher, but copper fell 25 percent in September alone. Ford said the charges could reverse if commodity prices rise in the future.

Ford earned 46 cents per share excluding the costs of closing its Mercury brand. That beat Wall Street's expectations. Analysts polled by FactSet forecast earnings of 45 cents per share.

The country's second largest automaker said revenue rose 14 percent to $33.1 billion.

Ford reported a pretax profit of $1.6 billion in North America, unchanged from a year ago. Higher prices and rising sales of more profitable vehicles like the Ford Explorer SUV and F-Series pickup trucks helped offset higher costs for materials.

Ford lost money in Europe and Asia, where it recently embarked on an aggressive four-year expansion plan. Sales will be hurt in the fourth quarter by flooding in Thailand, which didn't damage any Ford facilities but has disrupted suppliers. Booth said Ford expects to lose production of 30,000 vehicles because of the flooding.

The Dearborn, Mich.-based automaker's results followed several week of positive financial news for the company.

Ford workers approved a new four-year contract with the United Auto Workers that will increase the company's labor costs by less than 1 percent each year. Ford expects to add 5,750 new workers in the U.S. under the contract, but they will make lower wages than Ford's longtime factory workers.

As a result of the contract vote, Standard & Poor's and Fitch ratings agencies upgraded Ford's credit ratings to one notch below investment grade. The upgrade will lower Ford's borrowing costs and bring it closer to achieving investment-grade status, which it lost in 2005 when it was deeply in debt.

Ford's debt now stands at $12.7 billion. The company repaid $1.3 billion during the third quarter. It has said it wants to reduce its total debt to $10 billion by mid-decade.

But the good news was overshadowed somewhat by Consumer Reports' announcement earlier this week that Ford fell 10 spots in its new reliability rankings. Consumer Reports said its subscribers complained about glitchy touch screens and transmissions. Ford now ranks 20th out of 28 major brands.

Ford President and CEO Alan Mulally said the ratings reflect trouble with new products that Ford identified a year ago and has been fixing with software updates.

"We'll be moving back up and getting our quality ratings back," he said.

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