GM 3Q Profit Falls 15 Percent

Tom Krisher, AP Auto Writer

DETROIT (AP) — Europe's economic woes are weighing on General Motors Co.'s profits.

The company's third-quarter net income fell 15 percent from a year earlier, dragged down by losses in Europe and South America and weak earnings in all areas except North America and China.

The company's shares fell 7.4 percent to $23.20 in premarket trading Wednesday as GM said it would not be able to meet its target of breaking even in Europe this year.

GM said that its net income fell to $1.7 billion in the quarter, or $1.03 per share, compared with $2 billion, or $1.20 per share, a year earlier. Still, it was the GM's seventh-straight quarterly profit, and the lower numbers still beat Wall Street's expectations.

Analysts polled by FactSet predicted earnings of 94 cents per share.

Revenue rose 7.6 percent to $36.7 billion. Analysts had expected $35.9 billion.

GM posted a pretax loss of $292 million in Europe as the economy struggled. Its profit rose slightly in North America to $2.2 billion, but earnings at its international operations, including China, fell 29 percent to $365 million. South American operations also swung to a loss of $44 million for the quarter.

Chief Financial Officer Dan Ammann said the company had a solid quarter but needs to improve its margin of profit in all regions.

In Europe, Ammann said the company has made significant progress and is more than $1 billion ahead of last year's pretax earnings. But it still needs to take out costs across the board and put out the right products that people will buy, Ammann said.

"There's no one silver bullet," he said.

GM said it would not break even in Europe this year because of deteriorating economic conditions there.

Ammann said the company has an aging car and truck portfolio in South America and is in the process of refreshing it. It also offered buyouts to employees that resulted in a 4 percent cut in the work force there, he said.

To boost profits, GM is coming out with nine new vehicles in the next year in South

America, including the Chevrolet Cruze compact and a subcompact named the Cobalt, the company said.

Ammann said the GM plans actions companywide to improve profit margins. Its profit margin, or pretax profit as a percentage of revenue, is around 6 percent, a full percentage point lower than its closest global competitors, Volkswagen AG and Ford Motor Co.

While the company plans to cut costs further, it mainly will boost profit margins by increasing revenue, he said.

"You can't cost-cut your way to prosperity in the business. You've got to grow the business, get the right vehicles on the road," he said.

GM sold 2.2 million vehicles in the quarter, up 9 percent from a year earlier.

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