

European Losses Hurt Ford's 2Q Profit

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DEARBORN, Mich. (AP) — Plummeting sales in Europe — and no hope for a quick fix in the troubled region — hurt Ford's second-quarter profit and forced the company to lower its full-year earnings forecast.

Ford joined a string of other multinational companies — including UPS and Xerox Corp. — in cutting its profit forecast for the full year because of weakness in the region. The company expects to lose more than \$1 billion in Europe in 2012, double its estimate from the beginning of the year.

The results underscore the importance of Europe to Ford, where it faces an economy in crisis. Ford relies on the region for about 25 percent of its sales and revenues. Sales in the region have fallen to 20-year lows as buyers shy away from big purchases.

"This is a very serious situation," said Ford Chief Financial Officer Bob Shanks. "It's going to take quite a long time for Europe to work through these issues."

Ford's stock price was down 8 cents, or less than 1 percent, to \$8.98 in midday trading Wednesday. Earlier in the session, the stock hit a fresh 52-week low of \$8.92.

The automaker still expects a "strong" overall operating profit in 2012, but it will be lower than the \$8.7 billion in 2011. Previously Ford had expected to make about the same amount as 2011.

Ford earned \$1 billion, or 26 cents per share, in the quarter, down 57 percent from \$2.4 billion, or 59 cents, a year earlier. Without one-time items, including the sale of two parts factories, it earned 30 cents. That beat Wall Street's forecast of 28 cents.

Quarterly revenue fell 6 percent to \$33.3 billion.

Ford posted a \$2 billion profit in North America in the second quarter thanks to higher pricing and highly anticipated new vehicles like the Ford Escape. That was up 5.3 percent from a year earlier.

But losses elsewhere swamped North American gains. Ford lost \$404 million in Europe, down from a profit of \$176 million last year. Sales of cars and trucks in the region fell 15 percent. Ford also lost market share as it refused to ramp up deals to lure buyers, as many German automakers have.

By contrast, German automaker Daimler stuck to its full-year earnings target Wednesday even as its profit fell by 11 percent to \$1.83 billion in the second quarter. But CEO Dieter Zetsche said the company has "an intensive discussion

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every day about economic clouds in the sky, which are floating especially over Europe."

Ford, meanwhile, is reviewing all its options in Europe, but wouldn't announce plant closures or other cost-saving measures. Shanks said the company is laying off temporary workers, slowing assembly lines and shortening factory shifts to save money.

Shanks said the U.S. economic crisis gave the company a road map for how to deal with the troubles Europe is facing.

"We know what to do in a tough situation," he said.

In the U.S., Ford took out a \$26 billion loan in 2006 and used it to close factories, lay off thousands of workers and redesign vehicles that have become big moneymakers, like the Ford Fusion and Explorer.

Other regions also were weaker. Ford lost \$66 million in Asia, where it is in the midst of a multiyear plan to increase production and vehicle offerings. That was down from a \$1 million profit in the same quarter a year earlier.

Ford's profits narrowed considerably in South America, where it is being hurt by older products and rising tariffs. The company earned \$5 million in South America in the second quarter, down 98 percent.

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