

# GM Predicts Substantial European Losses This Year

The Associated Press

DETROIT (AP) — General Motors expects its European operations to incur "substantial losses" for the rest of the year because auto sales in the region will not improve, the company said in a regulatory filing Friday.

The outlook was bleaker than GM's executives portrayed on Thursday, when the company released its second-quarter earnings. Executives said Europe would be challenging, but they would not estimate when GM would return to making money in the region. They also wouldn't talk about potential losses in the second half of 2012.

GM has lost money in Europe for a dozen years, and posted a \$361 million pretax loss there in the second quarter.

The company, like many other automakers, is in the midst of a restructuring plan to eliminate factory capacity and cut costs in Europe as sales fall. Sales are slowing due to high unemployment brought on by uncertainty from the government debt crisis.

GM said in its filing that European sales were down 4.9 percent in the first half of the year compared with a year earlier. The company's sales in Europe, mainly from the Opel and Vauxhall brands, fell nearly 7 percent in the second quarter compared with 2011.

"We believe it is likely that adverse economic conditions, and their effect on the European automotive industry, will not improve significantly during the remainder of 2012, and we expect to incur substantial losses in the region as a result," the company said in its quarterly report filed with the U.S. Securities and Exchange Commission.

GM CEO Dan Akerson and other executives say they're working on a plan to cut costs and roll out new models in Europe to boost sales. Akerson expects a new agreement with German labor unions by the fall that could help GM run its factories more efficiently and profitably. The company recently signed an alliance with Peugeot S.A. to consolidate costs and share technology, and it replaced its top executive in Europe.

But GM said in its filing that if European sales deteriorate further and its ability to raise cash in the region falters, it may have to reduce the value of its European assets. GM then would have to book noncash charges to account for the reduction.

Shares of GM rose 93 cents, or nearly 5 percent, to \$20.07 in late-afternoon trading.

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On July 25, they hit \$18.72, their lowest point since the November, 2010, initial public offering at \$33. They have traded in a 52-week range of \$18.72 to \$27.68.

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