GM 3Q Profit Falls 14 Percent

Tom Krisher, AP Auto Writer

DETROIT (AP) — A turnaround in South America and a rosier outlook in Europe helped push General Motors shares up in premarket trading Wednesday, even though the company's third-quarter net profit fell 14 percent.

GM said it earned $1.48 billion from July through September, down from $1.73 billion a year earlier, as European pretax losses widened and North American profits fell.

But South America swung to a big profit and GM posted better-than-expected results internationally outside of China.

GM said the quarterly performance, while down from last year, is a sign that steps it has taken to fix some troubled business units are working. The company was profitable in four of five of units, with Europe the only exception.

The Detroit company earned 89 cents per share, compared with $1.03 per share a year ago. Revenue grew 2.5 percent to $37.6 billion.

Excluding one-time items, GM made 93 cents per share, easily beating Wall Street expectations of 60 cents.

That drove GM shares up $1.06 or 4.6 percent, to $24.34 in trading early Wednesday.

Chief Financial Officer Dan Ammann said the improved performance in South America and countries like South Korea and Australia show that moves to fix the business are working.

"We can make those improvements and deliver the results," he said.

The company also predicted its fourth-quarter pretax earnings would be about the same as last year's $1.1 billion. GM expects to break even in Europe by the middle of the decade as it rolls out new, more appealing products. And the company expects a full-year European pretax loss of $1.5 billion to $1.8 billion in 2012, improving slightly in 2013. That's a little more than double what GM lost in Europe last year. Vice Chairman Steve Girsky will give details of the European restructuring plans later Wednesday.

GM lost $478 million pretax in Europe last quarter, compared with a $292 million loss a year earlier. In North America, pretax profit fell 17 percent to $1.8 billion as lower pension income and higher costs for warranty claims offset lower raw material and freight costs.

But in South America, the company swung from a $44 million loss last year to a $114 million profit on the strength of new models. And GM's international operations, fueled mainly by areas outside of China, nearly doubled its pretax profits to $689 million.

The company is confident enough to predict break-even results in Europe because of significant investment in new products including the Mokka small SUV and Adam small car, Ammann said. The company already has 40,000 orders for the Mokka, he said.

"We have to lead with product in order to sustain and grow the top line," he said.

GM also is making progress on reducing factory capacity and costs, which will be detailed for analysts in a conference call on Wednesday, he said. And it isn't expecting improvement in Europe's troubled economy anytime soon.

"We're not banking on a sharp turnaround in the European economy at this point," Ammann said.

The company also said about 30 percent of its U.S. salaried retirees took lump-sum payments instead of monthly pension checks. It also expects to close a deal next month to shift liability for its salaried pension plan to an annuity managed by The Prudential Insurance Co. The actions will cut GM's pension liability by $29 billion, $3 billion more than the original estimate of $26 billion, the company said.

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