General Motors Posts $898M 4Q Net Profit

Tom Krisher, AP Auto Writer

DETROIT (AP) — General Motors made money in North America and Asia and lost a bundle in Europe as it nearly doubled last year's fourth-quarter profit.

But the numbers were complicated by a dizzying array of accounting gains and losses for tax credits and devaluation of European assets.

The biggest U.S. automaker reported net income of $898 million, or 54 cents per share, compared with $468 million, or 28 cents per share, a year earlier. Revenue grew 3 percent to $39.3 billion.

The fourth-quarter profit included billions in one-time accounting gains and losses that ended up being a $100 million increase. Without the gain, the company earned 48 cents per share, falling short of Wall Street's expectations. Analysts polled by FactSet expected earnings of 51 cents.

Its shares fell 42 cents, or 1.5 percent, to $28.25 in midday trading on Thursday. They have traded in a 52-week range of $18.72 to $30.68.

During the quarter, GM continued its recent pattern of making money in the U.S. and Asia but posting big losses in Europe as the economy there continues to cut into auto sales. GM made $1.4 billion pretax in North America, which was down $102 million from last year. But losses widened in Europe as the company has predicted, to $699 million. GM's International Operations, which include China and the rest of Asia, earned $473 million. The company made $99 million in South America and $146 million on its financial unit.

For the full year, GM earned $4.9 billion, or $2.92 per share. That was down from $7.6 billion, or $4.58 per share, in 2011. The difference was largely due to losses in Europe and one-time items. Excluding one-time items, GM made $3.24 per share last year. Revenue for the year rose 1 percent to $152.3 billion. The 2012 earnings beat Wall Street expectations. Analysts predicted $3.23 per share on revenue of $151.1 billion.

In the fourth quarter, GM returned roughly $35 billion in U.S. and Canadian tax credits to its books. Under accounting rules, the company must book the credits because it's likely to use them to offset income taxes. GM has been solidly in the black for three years. But the gain largely was offset by removal of goodwill, devaluation of assets in Europe, the cost of shifting its white-collar pension plan to an insurance company annuity and the cost of buying back $5.5 billion worth of shares from the U.S. government.

Still, putting the tax credits back on the books was good news for the company because it's a sign of good prospects, Chief Financial Officer Dan Ammann said.

"We've established a clear track record of profitability over the last three years," he said. "It's a reflection of our confidence in the fact that we're going to generate significant profitability in the North American market going forward."

But the change means that GM will return to a 35 percent tax rate, up from the mid-teens last year. It still won't pay U.S. federal income taxes for many years due to the write-offs.

GM also announced that its union workers would each get $6,750 in profit-sharing checks next month because of the strong performance in North America. In 2011, the company and the United Auto Workers agreed to profit-sharing instead of pay raises. Last year UAW workers got checks for $7,000.

Ammann said GM's North American profits were down a little from 2011 largely due to lower pension income.

In Europe, Ammann said GM still expects to break even on a pretax basis by the middle of the decade. Although the loss widened from the third quarter, he said the company is bullish on its prospects. Cost-cutting efforts, including the closure of one plant, are under way. And the company plans to roll out 23 new vehicles in the next two years.

"We're leading with investment. We're leading with new product," he said.