



Warren Assembly workers building an award-winning truck.

Chrysler's Annual Net Income Soars to \$1.7B

Chrysler Group last week reported preliminary net income of \$1.7 billion for the full year 2012, up from a net income of \$183 million a year ago, exceeding the guidance provided earlier in the year.

Full-year 2011 adjusted net income was \$734 million, after adjusting for the \$551 million loss on extinguishment of debt recognized in the second quarter of 2011.

"While we are pleased to have achieved strong financial results in 2012, the enterprise we are crafting is not complete," Chrysler Group LLC Chairman and CEO Sergio Marchionne said. "The goals we've set for the year ahead reflect a common desire by everyone from leadership to the shop floor to succeed and sustain the power of the house we are building.

Our aim is meaningful, but it is not complicated, and only a pre-occupation with quality can achieve it.

We pause for a moment to enjoy our accomplishments, but we will not stop.

"Our continued achievement relies upon maintaining a humble spirit and an intense focus on the integrity of our work. And so we press on."

For the fourth quarter, net income was \$378 million on revenue of \$17.2 billion, up 68 percent from \$225 million a year earlier. For the year, the company reported revenue of \$65.8 billion, an increase of 20 percent from a year ago, primarily due to higher vehicle shipments.

Modified operating profit was

\$2.9 billion for the year, or 4.4 percent of revenue, up 47 percent from \$2.0 billion reported in the prior year. The increase resulted from continuing strong sales and pricing, partially offset by an increase in the proportion of sales from passenger cars, including the Dodge Dart and Fiat 500, versus trucks and SUVs; increased research-and-development costs for future models; and increased spending on advertising.

Modified operating profit for the quarter was \$711 million, a 40 percent increase from the same period last year.

Modified EBITDA (earnings before interest, taxes, depreciation and amortization) was \$5.5 billion for the year, or 8.3 percent of net revenue, an increase of 15 percent from the prior year. For

the fourth quarter, modified EBITDA was \$1.3 billion.

Cash at year's end was \$11.6 billion compared with \$9.6 billion a year ago and \$11.9 billion at Sept. 30, 2012. Free cash flow for the year was \$2.2 billion compared with \$1.9 billion a year ago.

Net industrial debt was \$1.0 billion at Dec. 31, 2012, an improvement of \$1.9 billion from a year ago.

Worldwide vehicle shipments were 2.4 million for the year, up 20 percent from 2 million a year ago. Fourth-quarter shipments were 613,000.

Worldwide vehicle sales for the full year 2012 totaled 2.2 million, up 18 percent from a year ago; fourth-quarter sales were 533,000.

Employees Making Ram 1500 Express Their Pride in Award

CONTINUED FROM PAGE 1

wife's friends and they posted the news on Facebook," Machiniak said. "It was tagged and then people started commenting on my Facebook page. Amazing."

Machiniak said that he's worked for Chrysler for 18 years and has been at Warren Truck Assembly since 2000. Working on an award-winning vehicle feels great, he said.

"To build something that wins awards makes you feel like you're doing something special," Machiniak said. "Shoot, it's the

best truck out there. Getting it built is a collective effort and the people who work at the plant take a special pride in what they do. I appreciate this honor and I think everyone who works at the plant does, too. It is a collective effort making these trucks."

"We have a hard-working crew here and they work as a team," Flournoy said. "They've improved the way things are done here in all sorts of ways, safety-wise, ergonomically, and it's all been to make our products better, and now we've seen that work pay off."

Ford Hourly Employees Get \$8300 Bonus

The numbers are in and they show that 2012 was a pretty good year for Ford, all things considered.

The company reported that it had its highest fourth quarter pre-tax profit in more than a decade and that its full year pre-tax profit was \$8 billion, with a net income of \$5.7 billion.

While that was \$307 million lower than in 2011, positive automotive operating-related cash flow was \$3.4 billion for the full year and \$1 billion for the fourth quarter, the 11th consecutive quarter of positive performance for Ford, leaving the company with automotive gross cash of \$24.3 billion, exceeding debt by \$10 billion and a strong liquidity position of \$34.5 billion, an increase of \$2.1 billion over 2011.

"The Ford team delivered strong results once again, underscoring that our One Ford plan is working," said Alan Mulally, Ford president and CEO. "We are well-positioned for another strong year in 2013, as we continue our plan to serve customers in all markets around the world with a full family of vehicles - small, medium and large; cars, utilities and trucks - with the very best quality, fuel efficiency, safety, smart design and value."

In addition to 2012 being a good year for the company, it will be a good year for employees. As a result of Ford's financial performance last year, the company will make profit-sharing payments to approximately 45,800 eligible U.S. hourly employees on March 14. As part of the UAW-Ford collective bargaining agreement, Ford North America pre-tax profits of \$8.3 billion will generate approximately \$8,300 per eligible employee on a full-year basis.

As part of Ford's previously announced strategy to de-risk its pension obligations, the company made \$3.4 billion in cash contributions in 2012 to its worldwide funded plans, \$2.3 billion higher than in 2011.

This included \$2 billion of discretionary contributions. In 2012 Ford settled \$1.2 billion of its pension obligations as part of the voluntary lump sum payout program for salaried retirees, which began in the second half of 2012 and will continue through 2013.

For 2013 cash contributions to funded plans are expected to be about \$5 billion globally, including discretionary contributions of about \$3.4 billion.

While Ford did well in North America, things didn't go as well in Europe. In the company's statement on 2012 profits, it declared "the decline in Ford Europe's fourth quarter pre-tax results was more than explained by unfavorable volume and mix. The industry for the 19 market Ford tracks in Europe was 13.5 million units, the lowest quarterly SAAR since 1995. For the full year, Ford Europe continued to be negatively impacted by the challenging economic conditions in the region."

Revenue declined from \$8.3 billion in 2011 to \$6.5 billion in 2012. Things don't look any better for 2013. In its financial statement, Ford officials declared "Ford's outlook for industry volume has deteriorated. Ford now expects industry volume to be in the lower end of the range of 13 million to 14 million units. In addition, Ford is being adversely impacted by higher pension costs due to lower discount rates and a stronger Euro. As a result, Ford now expects full year 2013

results for Ford Europe to be a loss of about \$2 billion, compared to a prior guidance of a loss about equal to 2012."

Things were better than that in South America. Pre-tax profits were \$213 million, "substantially lower than" in 2011. The news was better for the fourth quarter which saw improved pre-tax and operating margins higher than fourth quarter 2011. This was explained by favorable market factors driven by several new products recently launched, but "higher costs and unfavorable exchange in Brazil were partial offsets."

Ford predicts it will break even in South America in 2013. "Although results will benefit from new products recently launched or to be launched during the year, the competitive environment and currency risks across the region, especially in Venezuela, are expected to impact profits adversely."

The news was mixed for Ford Asia Pacific Africa. The company recorded a 41 percent increase in sales in the fourth quarter and increased market share from 2.8 percent to 3.4 percent. While Ford Asia Pacific Africa posted a full year loss, it sold more than 1 million vehicles for the first time, and recorded \$10 billion in revenue, also a record.

For 2013, Ford expects the strong North American performance to continue with pre-tax profits expected to be higher than 2012, with an operating margin of about 10 percent. "This reflects a growing industry, a strong Ford brand, an outstanding product line-up by industry-leading refresh rates, continued discipline in matching production with demand, and a lean cost structure."

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