GM Records Its Highest Profit Ever: $7.6B

Tom Krisher, AP Auto Writers

DETROIT (AP) — General Motors earned its biggest profit ever in 2011, but signs are emerging that its momentum could slow.

Strong sales in the U.S. and China helped the carmaker turn a profit of $7.6 billion, beating its old record of $6.7 billion in 1997 during the pickup and SUV boom.

Yet the company lost ground in the fourth quarter. Its profit fell 8 percent and missed Wall Street expectations. Europe and South America reported losses. And sales growth in the U.S. slowed even as more Americans bought cars and trucks

Still, GM is a vastly different company than it was in the late 1990s. It's smaller, has less debt and its contract with the United Auto Workers is less costly. But it took a government bailout and bankruptcy protection in 2009 to cut its bloated costs. The company made record money last year even though U.S. sales were near historic lows of 12.8 million cars and trucks.

This year, GM expects to increase its revenue as global sales grow and it charges more for models. However, it will make less money per vehicle as the mix of sales continues to shift to cars from trucks, which have bigger sticker prices. It also expects to invest $8 billion on new products and technology, and says pension expenses will rise. The company wants to keep expenses down by freezing its underfunded U.S. pension plan for salaried workers.

GM's stock price rose $1.08, or 4 percent, to $26.01 in early trading.

That's good news for the U.S. government, which still owns 26.5 percent of the company and is waiting for the share price to rise even more before it can to recoup the bailout money. That bailout, and the company's performance ever since, are already a contentious issue in this year's presidential election.

Chief Financial Officer Dan Ammann said the company's restructuring in Europe cut pretax losses by more than $1 billion from 2010, but it didn't go far enough.

He hinted that GM will have to cut factories and jobs in the region, saying the whole auto industry has too many factories there.

"We clearly have work to do in Europe, we have work to do with the South American business," he said.

The company has placed Vice Chairman Steve Girsky in charge of the European supervisory board and is adding executives in preparation for restructuring.

Girsky has said GM intends to fix the European unit, made up of the Opel and

Vauxhall brands, and keep it in the company. GM came close to selling the unit in 2009.

The 2011 profit of $4.58 per share was 62 percent higher than a year earlier. Full-year revenue rose 11 percent to $150 billion.

Last year, GM made the bulk of its income in North America, where its pretax profit totaled $7.2 billion. International Operations, which includes Asia, made $1.9 billion before taxes, but that was down.

During the year, GM's global sales rose 7.6 percent to 9.03 million vehicles to help it reclaim the title of world's largest automaker from Toyota Motor Corp.

"We will build on these results as we bring more new cars, crossovers and trucks to market," CEO Daniel Akerson said.

For the fourth quarter, GM's profit fell to $468 million, or 28 cents per share. A year earlier, the company made $510 million, or 31 cents per share. Revenue for the quarter rose 3 percent to $38 billion.

GM also said 47,500 blue-collar workers in the U.S. will get $7,000 profit-sharing checks in March. The checks are based on North American performance and are a record for the company.

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