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Chrysler forecasts 2011 profit

By Chris Isidore, senior writer January 31, 2011: 12:41 PM ET

NEW YORK (CNNMoney) -- Chrysler Group forecast it would return to profitability in 2011 after posting another net loss in the fourth quarter.

The automaker said it expects to earn between \$200 million to \$500 million in net income this year, which would be the first annual profit for the company since 2005.

Chrysler reported that it lost \$199 million in the fourth quarter, bringing its full-year loss to \$652 million. It has yet to report a profit since emerging from bankruptcy in June 2009. But it said it made an operating profit, excluding restructuring costs, which was greater than the company's internal targets.

"It can safely be said that what Chrysler delivered last year, on both the product and financial fronts, surpassed many expectations," said Sergio Marchionne, CEO of both Chrysler Group and Fiat, the Italian automaker which owns a controlling stake in the automaker. "However, our job is not yet done. We have a lot of work ahead to fulfill our five-year business plan objectives."

Marchionne announced Monday that there would be "performance bonuses" paid to both hourly and salaried workers at Chrysler, even though they would not have been due profit sharing called in the company's union contracts. He said the work done turning around Chrysler's product lineup, introducing new or significant redesigns of 16 models in only a year, has been crucial for positioning the automaker to be profitable again.

He also said that Chrysler would have been profitable if most of the money it received in the federal bailout had been in return for equity in the company, as was the case at General Motors, rather than in the form of loans that needed to be repaid.

"It would have been improper not to recognize what went on here in 2010. because of our capital structure," he said in a conference call with analysts and the media. "I don't think it (the loss) is a reflection on the quality of the performance."

Auto workers at Ford Motor (F, Fortune 500) will be getting profit sharing bonuses averaging \$5,000, the company announced Friday, and auto workers at General Motors (GM) are also expected to get bonuses when GM announces full-year results next month.

Chrysler has been slower to return to profitability than its U.S. rivals. GM, which also went through bankruptcy about the same time as Chrysler Group, reported profits in the first three

quarters of last year and is expected to report earnings for the fourth quarter sometime next month. GM made a successful IPO in November.

Ford, the other U.S. automaker, avoided a bankruptcy and federal bailout, and on Friday reported its most profitable year since 1999.

Some industry experts agreed with Marchionne that Chrysler's results were good, considering the debt burden and market position it has.

"This is better than I expected," said Peter Bible, a partner at accounting firm EisnerAmper and a former GM officer. "They're not around the corner, but they're getting close to it."

Van Conway, CEO of Detroit restructuring firm Conway MacKenzie, said he believes Chrysler is in good position to hit its profit target for 2011 and hold its IPO as planned.

"They've reduced their cost structure, and I think they're nimble enough now that they'll be a viable company," he said. "There was a time not long ago that people questioned if they'd survive."

Shares of the company are not yet publicly traded, although Chrysler has said it expects to hold an initial public offering later this year. Besides Fiat, shares in the company are owned by a union-controlled trust fund, and U.S. and Canadian taxpayers.