

DaimlerChrysler AG: New business model for smart
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- Goal for smart: Breakeven in 2007
 - Restructuring expenses of up to EUR1.2 billion
 - DaimlerChrysler: Operating profit in 2005 still expected to slightly exceed the prior-year result of EUR5.8 billion, excluding exceptional charge from smart

Stuttgart - On March 31, 2005, the Board of Management of DaimlerChrysler AG discussed a new business model for the smart business unit of the Mercedes Car Group. This concept will be further developed in detail in the coming weeks and, as announced at the annual press conference on February 10, will be submitted to the Supervisory Board of DaimlerChrysler AG for a decision at the end of April.

The new business model aims to put the small-car brand onto a financially sound basis, with the goal of breaking even in 2007.

The new product concept calls for the intensified development of the successor to the smart fortwo, including fulfilling the requirements for the U.S. market. The next generation of the three-cylinder gasoline engine will also be used by other manufacturers, with resulting economies of scale that will substantially improve the cost position of this engine project.

Cooperation with Mitsubishi Motors on the smart forfour will be continued. Measures to be taken to improve profitability mean that this product will break even in the future.

The production of the smart roadster will be terminated at the end of 2005.

The smart SUV project will be discontinued.

Key component of the new business model is a restructuring program with which earnings are to be increased by some EUR600 million in the year 2007. It will be possible to reduce fixed costs by around 30% within the next two years, while substantially improving productivity.

The new business model also includes a fundamental organizational change. Key tasks in development, sales, procurement, after sales and service will be integrated into the respective areas of Mercedes-Benz Passenger Cars. This will allow substantial synergy effects to be realized.

At the same time, additional sales and market potential will be explored. For example, to boost unit sales, the number of smart outlets in the Mercedes-Benz sales organization will be increased by about 25% using the shop-in-shop concept.

Overall, DaimlerChrysler assumes that the restructuring expenses incurred in 2005 will total up to EUR1.2 billion. This figure includes exceptional write-downs on plant and equipment, the settlement of obligations to third parties, and other value adjustments. The program also includes significant workforce reductions.

The management of smart GmbH aims to achieve these reductions in a socially acceptable manner. Talks are planned with the works council on this issue in the coming weeks.

The substantial exceptional expenses in connection with the new smart business model will impact DaimlerChrysler's earnings forecast for 2005. Excluding the exceptional charge from smart, DaimlerChrysler, after a weaker first and second quarter, still expects a slightly higher operating profit for full year 2005 compared to 2004.

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