

DaimlerChrysler AG: DaimlerChrysler Creates New Management Model
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DaimlerChrysler Creates New Management Model

- Integration leads to organization that is faster, more flexible, leaner and more efficient
- Together with other ongoing efficiency programs, G&A costs are expected to be reduced by 1.5 billion EUR per year, G&A staff reduced by up to 20 percent over three years
- Supervisory Board agrees to realignment of functions within the Board of Management

DaimlerChrysler today introduced a new management model designed to enhance competitiveness and promote further profitable growth. The new model will further integrate the company's functions, focus the operations within DaimlerChrysler on core processes, and encourage internal collaboration.

Among structural changes is a consolidation and integration of G&A functions, such as Finance and Controlling, Human Resources and Strategy. These areas will be centralized to report to the respective head of that function throughout the entire company. Redundancies between staff functions at the corporate and operating levels will be eliminated, thereby reducing the complexity of the organization. A more integrated G&A organization will result in more consistent processes, and reporting and decision-making will become shorter, faster and more efficient. The new model is designed to enhance competitiveness and promote further profitable growth.

The consolidation of corporate functions will occur throughout the company. The earlier decision for Dieter Zetsche to serve a dual role as Chairman of the Board of Management and concurrently as Head of the Mercedes Car Group, will now be reflected in the organizational structure as well. BoM members Bodo Uebber and Rudiger Grube will also continue to have dual roles: Uebber for Finance and Controlling, as well as DaimlerChrysler Financial Services; Grube for Corporate Development (including Information Technology) and DaimlerChrysler's participation in EADS (European Aeronautic Defense and Space company). That will effectively reduce the number of BoM members to nine (from 12 about one year ago).

Corporate-wide Research and Technology will be merged with product development of Mercedes Car Group under BoM member Thomas Weber.

The Commercial Vehicles Division under BoM member Andreas Renschler will focus on commercial trucks as its core business and operate under the name Truck Group, while the Bus and Van business will be reported elsewhere. The following operations will continue in Truck Group: Trucks Europe/Latin America (Mercedes-Benz), Trucks NAFTA (Freightliner, Sterling, Thomas Built Buses), Mitsubishi Fuso Bus and Truck Corporation, and Truck Product Creation.

Together with other ongoing efficiency programs (such as MCG's CORE program), G&A costs are expected to be reduced by 1.5 billion EUR per year. The net effect of today's announcement will be 1 billion EUR per year.

Preparation to implement this comprehensive program will start immediately, and take three years to fully implement. It is expected to require an overall expenditure of about 2 billion EUR from 2006 to the end of 2008.

Due to the elimination of redundancies, consolidation of staffs and optimization of processes, headcount will be reduced by about 6,000 employees over the three-year span. This represents roughly 20 percent of general and administrative staff (30 percent at management levels). These reductions will take place in G&A functions around the world.

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