The private equity investment firm Cerberus wants to commit on a long term basis to Chrysler. There will be no additional job cuts at the subsidiary of the DaimlerChrysler Group. DaimlerChrysler will retain a stake of around 20 percent. The Group, based in Stuttgart, Germany, will be renamed Daimler AG – and will pay substantially for this deal.

Stuttgart – After the majority acquisition of the U.S. subsidiary Chrysler by Cerberus Capital Management, there will be no additional job cuts, assured Chrysler Chief Executive, Tom LaSorda, and Cerberus Chairman, John Snow, at a press conference on Monday. “Our approach is fundamentally long term. We don't think about the next quarter. We don't think about what analysts have to say about us. Our capital is patience,” said John Snow.

“What you and your team have built gives us real confidence in the future of that company,” said the Cerberus Chairman directly to Tom LaSorda. Cerberus will support LaSorda’s turnaround plan, as they are convinced that the reorganization of the DaimlerChrysler subsidiary will be successful. The private equity investment firm will do everything in its power to ensure Chrysler’s return to the front ranks of the U.S. automakers, which is where it belongs, according to Cerberus Chair John Snow.

On Monday, DaimlerChrysler announced that Cerberus will acquire an 80.1 percent stake of Chrysler for €5.5 billion. This will reduce the parent company’s profit by three or four billion
euros this year. In addition, Daimler has to cover debts created by the industrial business of Chrysler.

The German automaker, based in Stuttgart, will retain a stake of 19.9 percent. Instead of keeping the name DaimlerChrysler AG, the company will be renamed Daimler AG. An extraordinary shareholders’ meeting has to decide on the name.

After the announcements were made on Monday, DaimlerChrysler’s shares went up by 7 percent; in the afternoon the shares closed at €63.

The structure of the transaction is complicated. From the contribution of €5.5 billion made by Cerberus, €3.7 billion will flow into the industrial business, and €800 million will flow into the financial services business to strengthen the equity ratio of both corporations. DaimlerChrysler will receive the remaining sum of €1 billion.

In addition, Daimler will grant its previous subsidiary, the Chrysler Corporation, a loan of €300 million. The industrial business will be transferred completely free of debt which will cost DaimlerChrysler €1.2 billion. Additionally, Chrysler’s long-run debt will be discharged. It is important for Daimler that the high retirement and health care costs will be accepted by the U.S. companies.

The closing of the transaction is expected to take place in the third quarter of 2007. The German automakers reorganized Chrysler after its acquisition in 1998. Recently however, there were high losses. Therefore, DaimlerChrysler announced it would look at all options for Chrysler. Lastly, there was an announcement that a sale to a company in the same sector was probable, rather than a sale to a private equity firm.
“We are confident that we've found the solution that will create the greatest overall value – both for Daimler and Chrysler. With this transaction, we have created the right conditions for a new start of Chrysler and Daimler,” stated the Group’s Chairman Dr. Dieter Zetsche.

Ron Gettelfinger, President of the United Autoworkers (UAW) reported that over the weekend he made a last-ditch effort to keep Chrysler with Daimler. Under these conditions, however, Cerberus was the best choice. “We are satisfied now that the decision has been made so that our membership and management can focus on designing, engineering and manufacturing the finest quality products for the future success of the Chrysler Group,” said Gettelfinger.

“We welcome Chrysler”

“We welcome Chrysler into the Cerberus family, and believe Cerberus will be a good home for Chrysler. Cerberus believes in the inherent strength of U.S. manufacturing and of the U.S. auto industry. Most importantly, we believe in Chrysler,” said John Snow.

Cerberus recently brought in the former Chrysler manager, Wolfgang Bernhard, after his resignation from the Board of Management of the German automaker Volkswagen. According to Snow, Bernhard will not become a member of Chrysler’s management team, but will rather act as an advisor for Cerberus.

DaimlerChrysler’s Central Works Council raised no objections against the sale. “The labor representatives on the board welcome the company’s decision to settle Chrysler’s future quickly,” according to an announcement published on Monday. The lobbies in Germany and North America want to closely coordinate their evaluations; in which case, they will always focus on securing of jobs.
Last Wednesday, the UAW and the German labor representatives in the Supervisory Board agreed in a meeting of the Supervisory Board that they will accept the contract with Cerberus.

The president of the Central Works Council, Erich Klemm, emphasized that during the evaluation of the decision, the opinion of their American friends was imperative.

As UAW President Gettelfinger was satisfied with the sale of Chrysler to Cerberus, the other labor representatives in the Supervisory Board could easily back the decision. Klemm believes that the employees, in both Germany and U.S.A., will have a bright and safe future. However, Chrysler already announced in February that 13,000 jobs will be cut.

Following the Chrysler sale, only six members of the Executive Board will lead the smaller Daimler AG according to the Group that will probably trade under the firm of DaimlerChrysler AG until the coming fall. Chrysler CEO Tom LaSorda, along with Eric Ridenour, Chief Operating Officer of Chrysler, and Tom Sidlik, sales, left the Executive Board. An independent business unit for global sales will no longer be necessary. From now on, sales will be made autonomously by the divisions. The Chief Financial Officer, Bodo Uebber, will take over the combined responsibility.

LaSorda, who will remain CEO of the Chrysler Group, was to be a member of the Executive Board of DaimlerChrysler until 2012. He stated that he was confident Chrysler will be better off in the future as an independent company, non listed on a stock exchange. According to him, Cerberus is strategically the right buyer, as it will reestablish the company’s competitiveness, allowing it to take its industrial leadership role. The management contracts of Sidlik and Ridenour were to expire in 2008.