Mercedes-Benz Cars Operations (MO) – Transforming Production

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There are *many challenges and opportunities* on the road to growth!
We have a clear strategy!

Strategy MO – our 5 pillars

- Flexibility
- Productivity
- Production Portfolio
- Quality
- Design for Manufacturing

Passion
Respect
Integrity
Discipline
We steer the global Business with a new set-up!

Strategy MO – our new set-up

Product Groups (PG)

Plants

Production Planning

Supply Chain Management

TecFabrik

Quality Management

Compacted Cars

S-, E-, C-Class

SUV/ Sports Cars

Powertrain

China

Production Compact Cars

Production S-, E-, C-Class

Production SUV/ Sports Cars

Production Powertrain

Production/ Process Planning, Factory Planning

End-to-end Supply Chain

Technology Center Production

Integrated Quality Management

Integrated Quality Management
A global, architecture-based *production network* increases *flexibility* drastically!

Example: MFA (Front-Wheel Drive Architecture)
A global, architecture-based *production network* increases *flexibility* drastically!

Example: MRA (Rear-Wheel Drive Architecture)
A global, architecture-based production network increases flexibility drastically!

Example: MHA/MSA (High/Sports Architecture)

- USA
  - Tuscaloosa, South Bend (Contract manufacturer AM General)
- Austria
  - Graz (Contract manufacturer Magna Steyr)
- Germany
  - Bremen, Sindelfingen
A global, architecture-based production network increases flexibility drastically!

Example: MPA (Powertrain Architecture)
Worldwide expansion: *New plants, global networks and enormous growth* at the same time!
We *implement standards* rapidly!

### Strategic Approach

#### Plant standardization

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<tr>
<th>Actual</th>
<th>&quot;Standard&quot; plant criteria</th>
<th>Goal</th>
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<td>Plant 1</td>
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#### Implementation shop strategies

- Press Shop
- Body Shop
- Paint Shop
- Powertrain
- Assembly/Logist.
- Production Planning
- Supply Chain Management
- Technology Management
- Quality Management

#### Modular equipment strategy

#### Restructuring central divisions
Strategy MO – efficiency

The **HPV was reduced** by approximately **40% in the last 10 years**!

Hours per Vehicle (HPV) Production Plants:

![Graph showing HPV reduction from 2005 to 2015](graph.png)

- **Actual**
- **Target**
Implementation of *volume growth with stable workforce* as a sign of *increasing efficiency*!

More volume with the same team!
We actively redefine each plant strategy, cost and portfolio level worldwide!

- Increase efficiency
- Reduce vertical integration
- Address HR legacy issues
- Increase flexibility
Warranty & Goodwill costs are at an all-time low
Our ultimate ambition: Quality #1!

Warranty & Goodwill in € per vehicle after 60 months in service

-60%

2004

2015

Quality and efficiency

voice of the customer
quality management worldwide
data entry and documentation
product liability
robust processes
integrated responsibility
long-term quality

J.D. Power
perfect appeal
low G&K

Mercedes-Benz
Operationalization of design for manufacturing by modular product and equipment strategy!
We function as a team!

- Networking and teamwork
  - Worldwide and cross-functional cooperation and dialogue

- CI in our genes
  - Standardization, stabilization, improvement as a matter of course

- One production system
  - A common basis for our thinking and actions

- People-oriented approach
  - We make the difference, everybody contributes to the overall success

Strategy MO – our success factors
World class manufacturing – stringent strategy implementation and culture transformation!
Major efficiency improvements and reductions of vertical integration worldwide, while delivering top Mercedes quality.

Highly flexible global networks established, based on modular product and equipment strategy.

An inspired, newly organized team formed - focusing on business excellence with each world class car built.
This document contains forward-looking statements that reflect our current views about future events. The words 'anticipate', 'assume', 'believe', 'estimate', 'expect', 'intend', 'may', 'can', 'could', 'plan', 'project', 'should', and similar expressions are used to identify forward-looking statements. These statements are subject to many risks and uncertainties, including an adverse development of global economic conditions, in particular a decline of demand in our most important markets; a worsening of the sovereign-debt crisis in the euro zone; an increase in political tension in Eastern Europe; a deterioration of our refinancing possibilities on the credit and financial markets; events of force majeure including natural disasters, epidemics, acts of terrorism, political unrest, industrial accidents and their effects on our sales, purchasing, production or financial services activities; changes in currency exchange rates; a shift in consumer preferences towards smaller, lower-margin vehicles; a possible lack of acceptance of our products or services which limits our ability to achieve prices and adequately utilize our production capacities; price increases for fuel or raw materials; disruption of production due to shortages of materials, labor strikes or supplier insolvencies; a decline in resale prices of used vehicles; the effective implementation of cost-reduction and efficiency-optimization measures; the business outlook for companies in which we hold a significant equity interest; the successful implementation of strategic cooperations and joint ventures; changes in laws, regulations and government policies, particularly those relating to vehicle emissions, fuel economy and safety; the resolution of pending official investigations and the conclusion of pending or threatened future legal proceedings; and other risks and uncertainties, some of which we describe under the heading ‘Risk and Opportunity Report’ in the current Annual Report.

If any of these risks and uncertainties materializes or if the assumptions underlying any of our forward-looking statements prove to be incorrect, the actual results may be materially different from those we express or imply by such statements.

We do not intend or assume any obligation to update these forward-looking statements since they are based solely on the circumstances at the date of publication.