



Mercedes-Benz Cars Operations (MO) – Transforming Production

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Production and Supply Chain Management

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June 11th, 2015



Mercedes-Benz



There are *many challenges and opportunities* on the road to growth!

Rising number of vehicle and powertrain variants

Increasing volatility in the market

Enormous volume growth / bottlenecks

More complexity in the network with partners and suppliers

Cost increase / brownfields / high vertical integration

Hybrid / Electric Vehicle / Fuel Cell

Lightweight construction

Industry 4.0 / Smart Factory



We have a *clear strategy!*



Flexibility



Productivity



Production Portfolio



Quality



Design for Manufacturing



Passion



Respect



Integrity

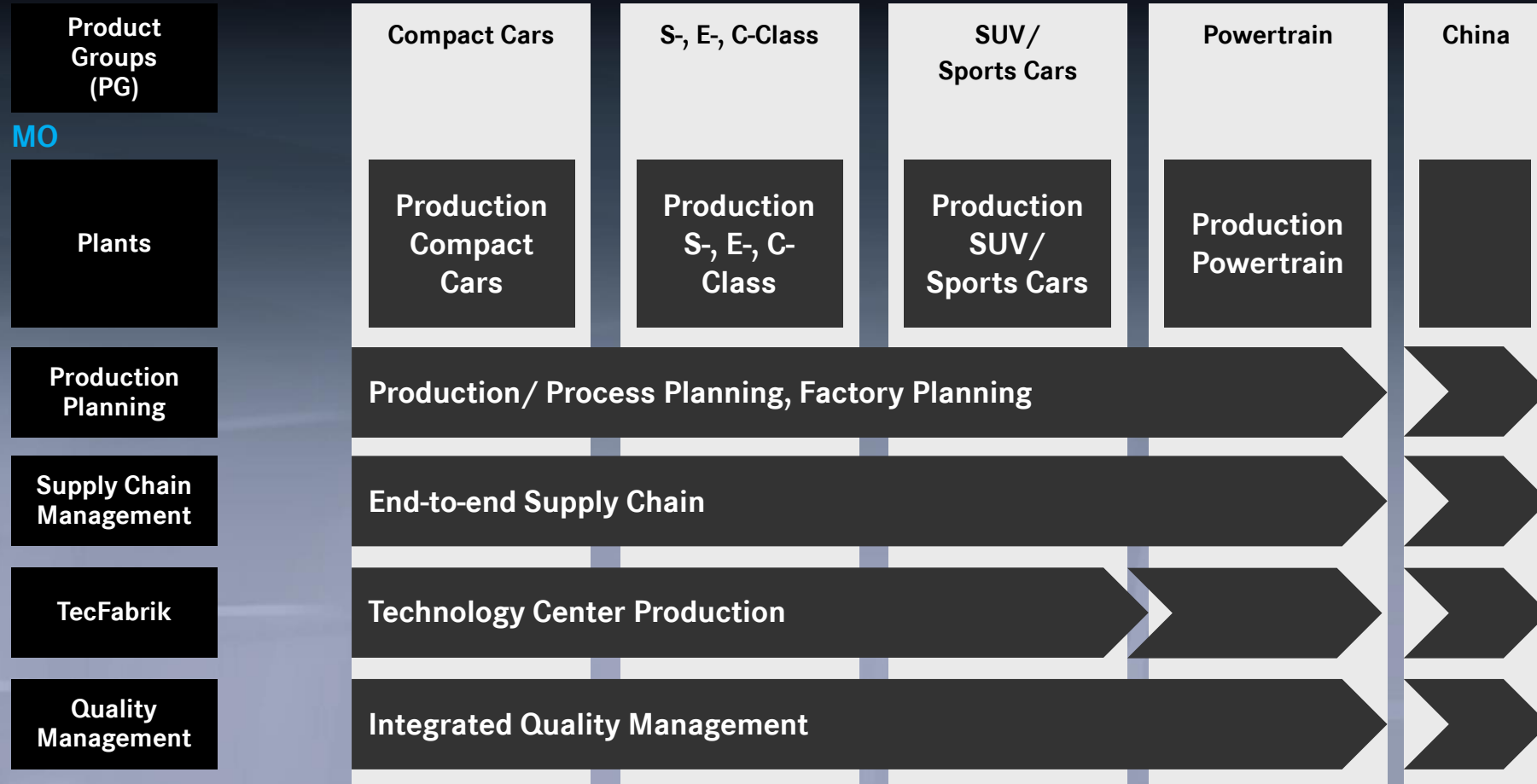


Discipline



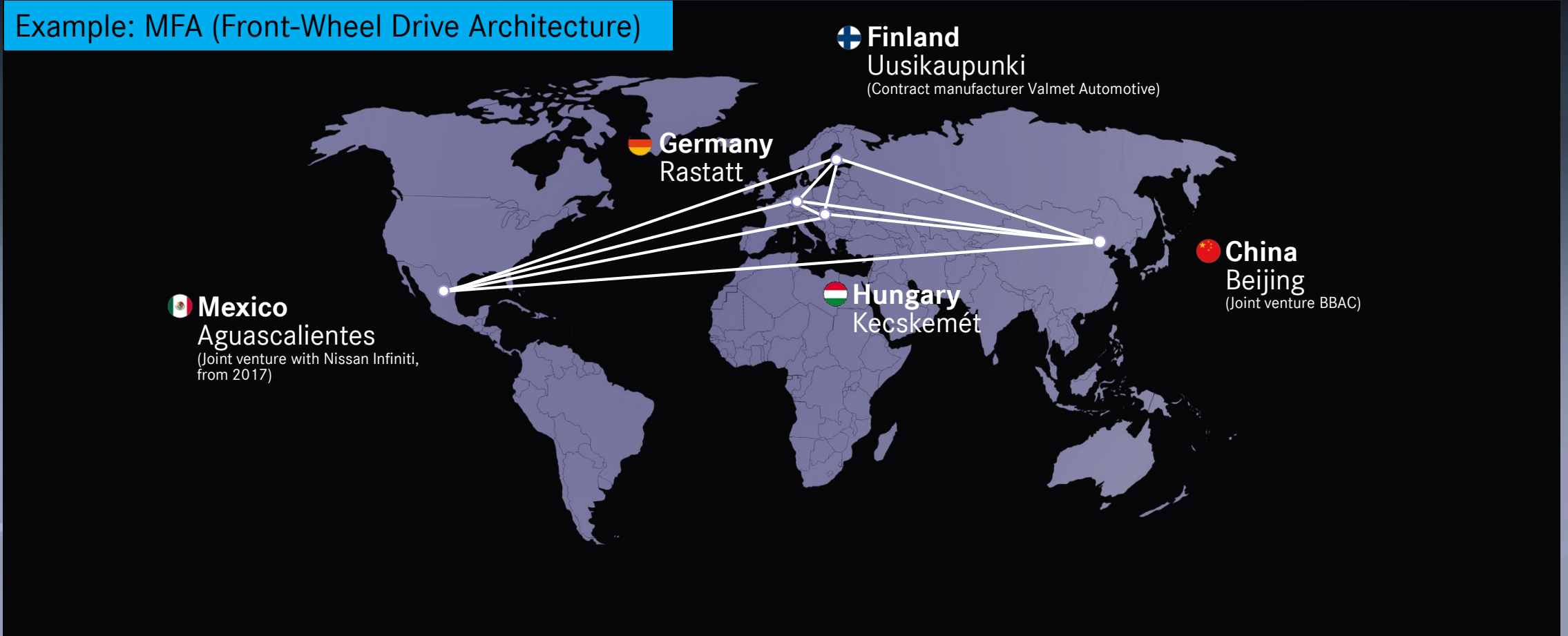


We steer the global Business with a *new set-up!*



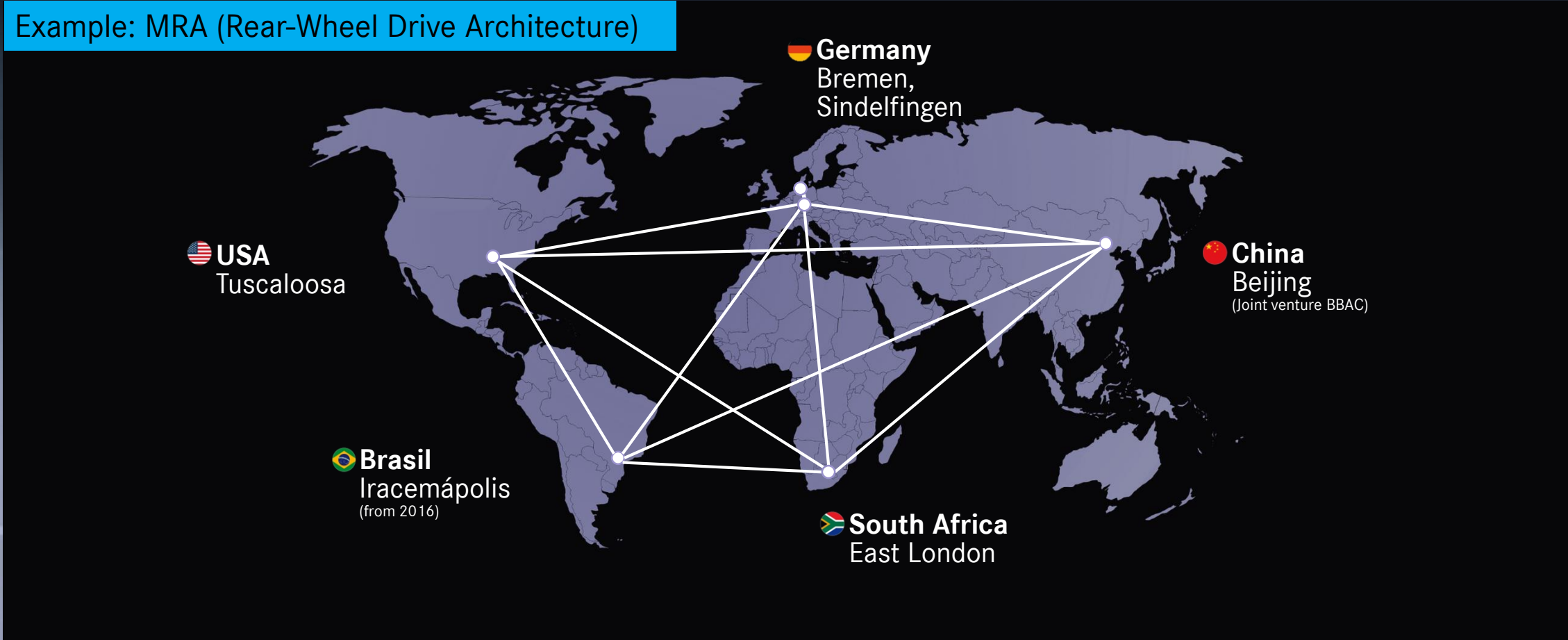
A global, architecture-based *production network* increases *flexibility* drastically!

Example: MFA (Front-Wheel Drive Architecture)



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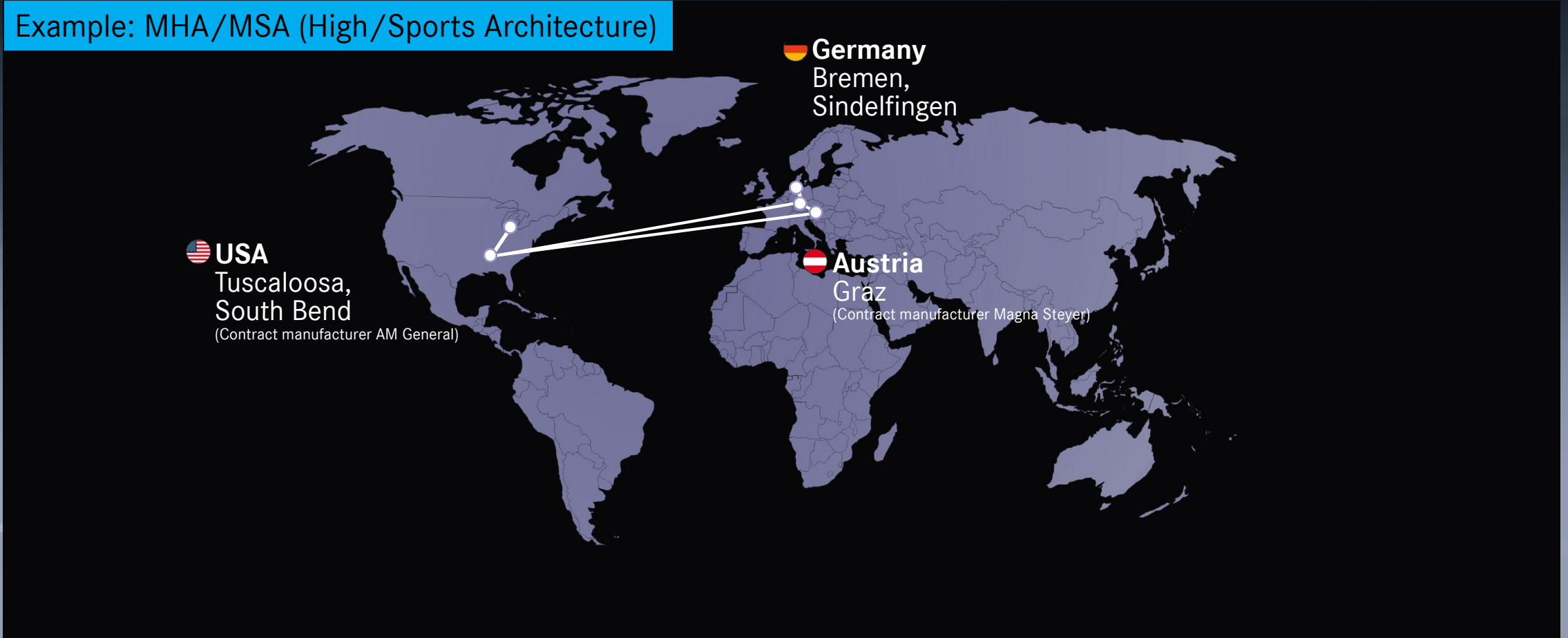
Example: MRA (Rear-Wheel Drive Architecture)





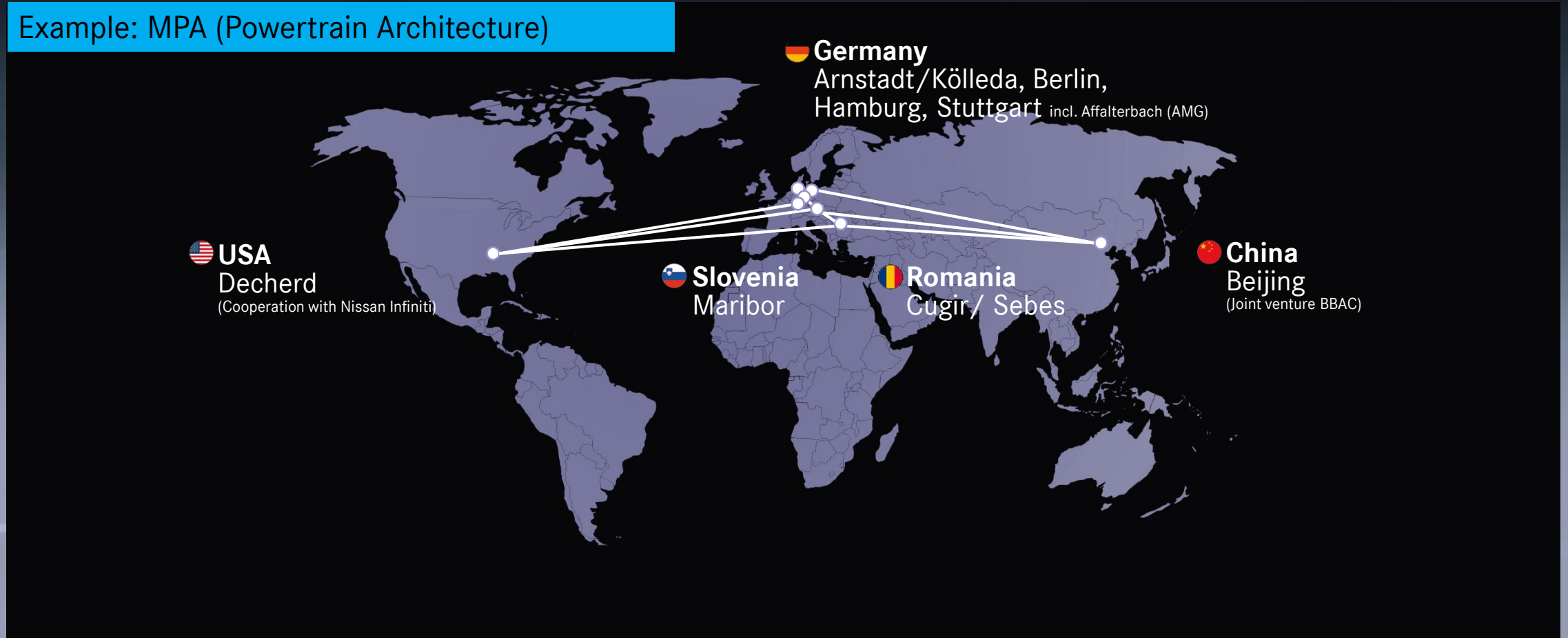
A global, architecture-based *production network* increases *flexibility* drastically!

Example: MHA/MSA (High/Sports Architecture)



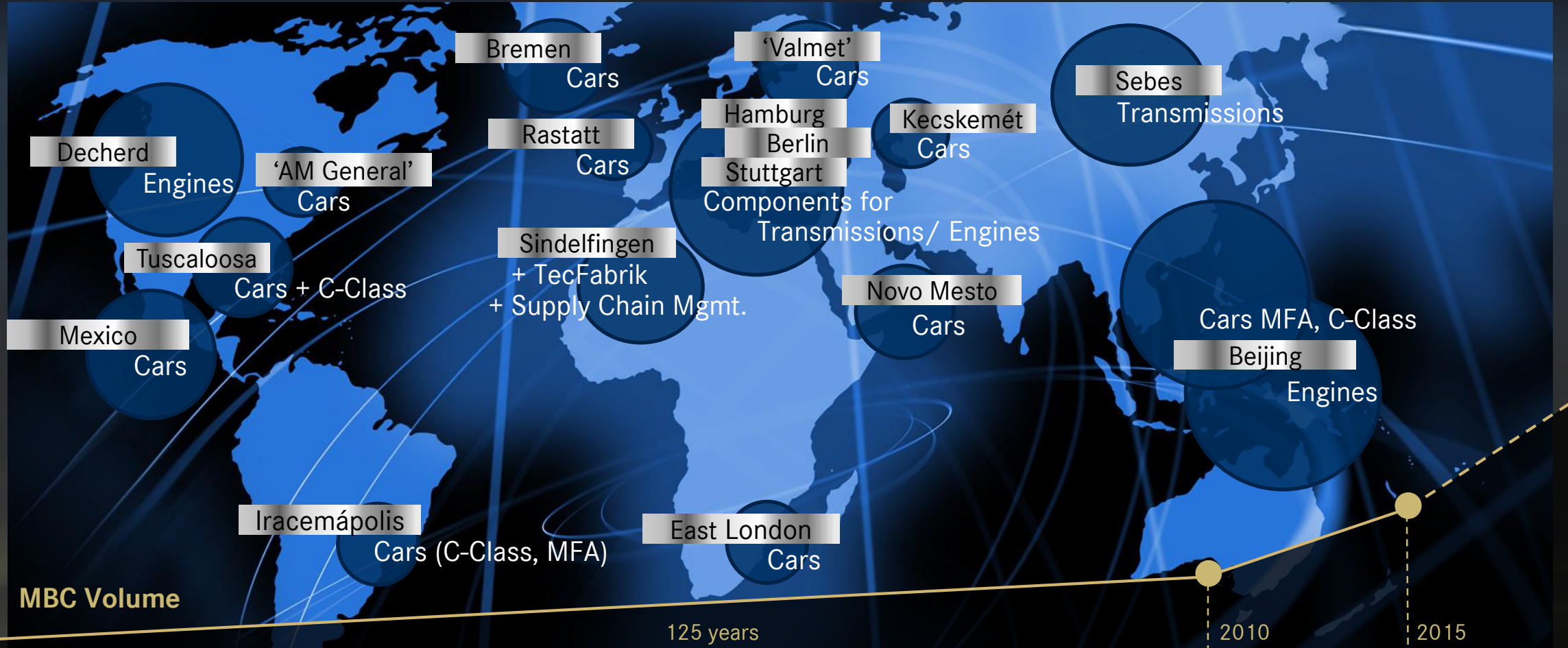
A global, architecture-based *production network* increases *flexibility* drastically!

Example: MPA (Powertrain Architecture)





Worldwide expansion: *New plants, global networks* and *enormous growth* at the same time!



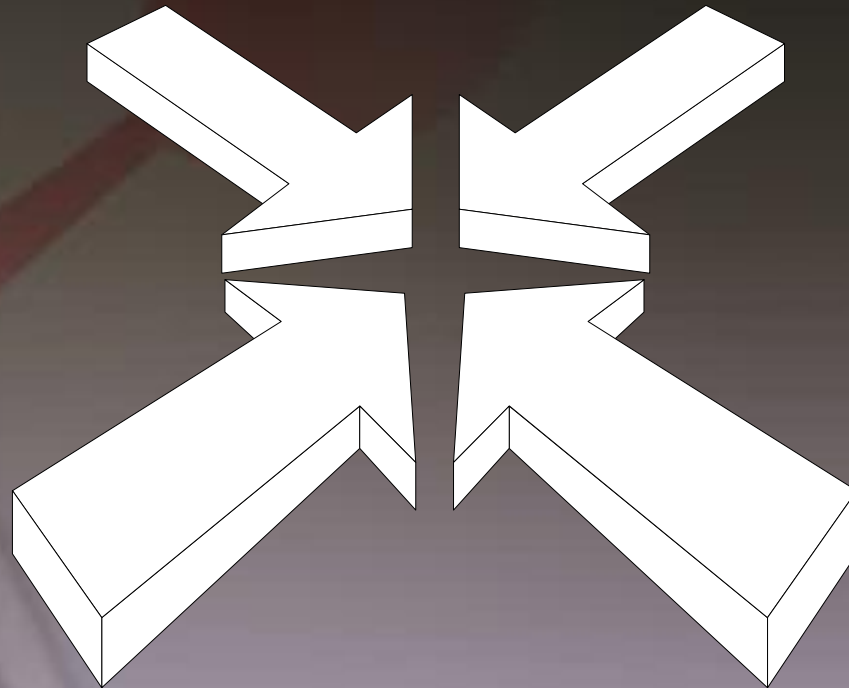
We *implement standards* rapidly!



Strategic Approach

Plant standardization

Actual	"Standard" plant criteria	Goal
Plant 1	<p>Brown field</p> <p>Green field</p>	Plant 1
Plant 2		Plant 2
Plant 3		Plant 3
Plant 4		Plant 4
Plant n		Plant n



Implementation shop strategies

<p>Press Shop</p>	<p>Body Shop</p>	<p>Powertrain</p>
<p>Assembly/Logist.</p>	<p>Paint Shop</p>	<p>Variable Cost</p> <p>Fix Cost</p> <p>Volume</p>

Reduction of the currently available variants

Current Assembly solution scope	Selection criteria	Selection of standard variants																																								
<table border="1"> <tr><td>Rear Floor</td><td></td><td></td><td></td><td></td></tr> <tr><td>TIG-Applications</td><td></td><td></td><td></td><td></td></tr> <tr><td>Wheel Alignment</td><td></td><td></td><td></td><td></td></tr> <tr><td>Roller Test</td><td></td><td></td><td></td><td></td></tr> </table>	Rear Floor					TIG-Applications					Wheel Alignment					Roller Test						<table border="1"> <tr><td>Rear Floor</td><td></td><td>✓</td><td></td><td>✓</td></tr> <tr><td>TIG-Applications</td><td></td><td>✓</td><td></td><td>✓</td></tr> <tr><td>Wheel Alignment</td><td></td><td>✓</td><td></td><td>✓</td></tr> <tr><td>Roller Test</td><td></td><td>✓</td><td></td><td>✓</td></tr> </table>	Rear Floor		✓		✓	TIG-Applications		✓		✓	Wheel Alignment		✓		✓	Roller Test		✓		✓
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Modular equipment strategy

<p>Production Planning</p>	<p>Supply Chain Management</p> <p>Supply chain</p>
<p>Technology Management</p>	<p>Quality Management</p> <p>QUALITY</p>

Restructuring central divisions

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

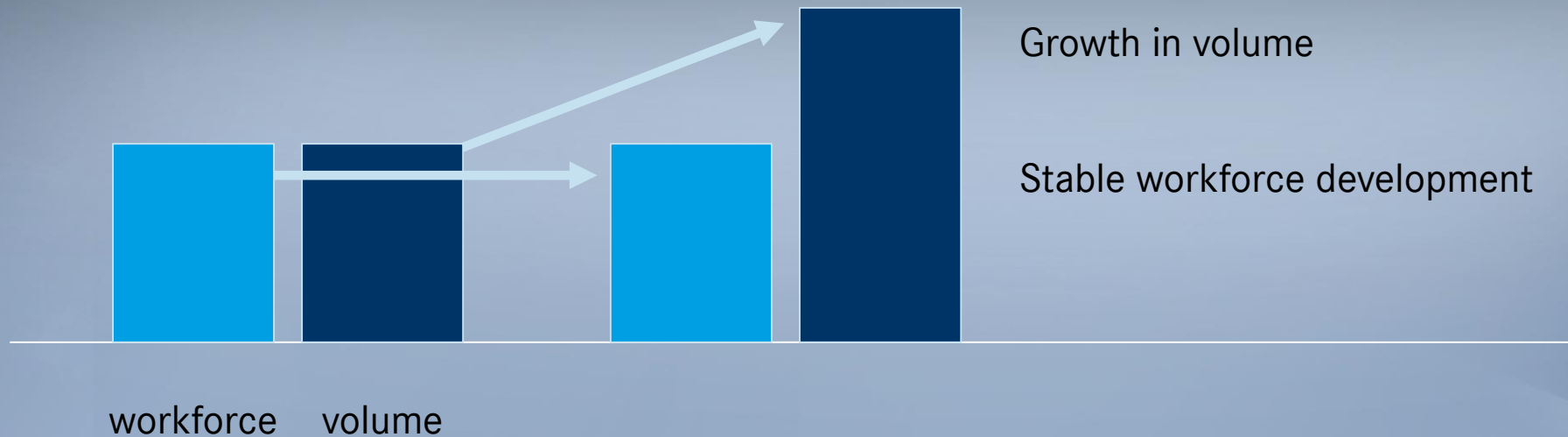
Hours per Vehicle (HPV) Production Plants:





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

More volume with the same team!





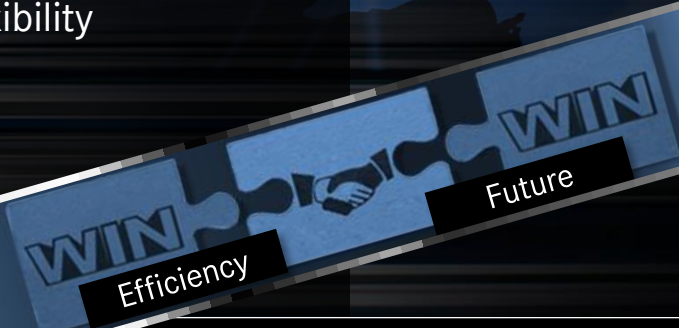
We actively *redefine each plant strategy, cost and portfolio level* worldwide!



Plant transformation

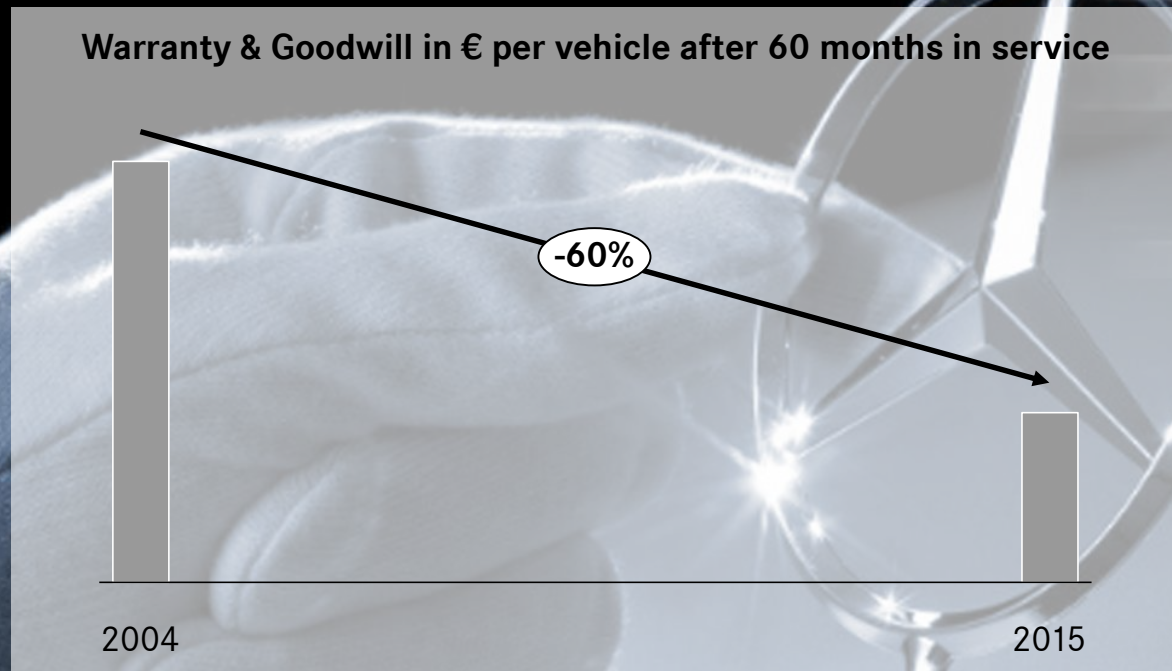
Plant target picture

- 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!*



voice of the customer
quality management worldwide

data entry and documentation
product liability

robust processes
integrated responsibility

long-term quality

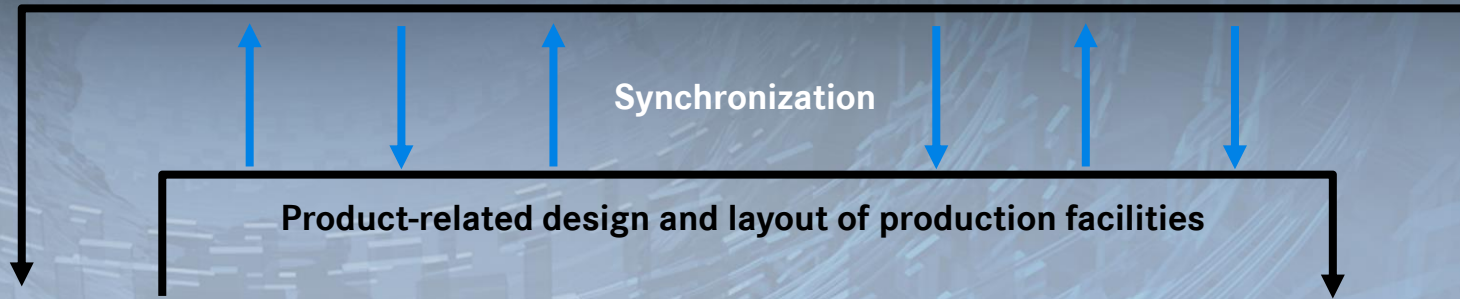
J.D. Power

perfect appeal

low G&K

Operationalization of design for manufacturing by modular product and equipment strategy!

Production-related design and layout of products (mutable factory)



Modular product strategy



Modular 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

global
modern
lean
flexible

ACTION



World class manufacturing – stringent *strategy implementation* and *culture transformation!*

Flexibility Productivity Production Portfolio Quality Design for Manufacturing

Strategy + Culture

Most successful premium car manufacturer

Best Brand	Best Product	Best Sales	Best Profitability

Most innovative digital car manufacturer

= Success

- 1 Implementation DES
- 2 Modern Workspace MP
- 3 Modern Workspace MV
- 4 Generation Management Y.E.S.
- 5 Teamwear MO
- 6 MPS Advanced
- 7 go!MO Campaign
- 8 Leadership Program LSX



Topics *staying in your mind!*



- 1** Major efficiency improvements and reductions of vertical integration worldwide, while delivering top Mercedes quality
- 2** Highly flexible global networks established, based on modular product and equipment strategy
- 3** An inspired, newly organized team formed - focusing on business excellence with each world class car built





Mercedes-Benz Cars Operations (MO)

Our *Disclaimer*



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.