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16 March 2016

## **BMW Group driving the transformation of individual mobility with its Strategy NUMBER ONE > Next**

BMW Group to expand BMW i product range  
New BMW iNEXT to set standards for future technologies  
Project i 2.0 will ensure leading role in automated driving  
Digital services make mobile life easier for customers  
New luxury-class models planned for most profitable segments  
Profitability remains key focus – targets set until 2020  
Harald Krüger: combining operational excellence and new ways of thinking

**Munich.** Following its sixth record-breaking year in succession, the BMW Group has revealed initial details of its new strategy. With its **Strategy NUMBER ONE > NEXT**, the world's leading provider of premium products and services for individual mobility is setting out the framework to shape change in the automobile sector. The BMW Group intends to remain the driving force behind premium individual mobility. With a clear focus on people and their environment, the BMW Group aims to deliver solutions that are both ground-breaking and responsible.

“Throughout its 100-year history, the BMW Group has always reinvented itself. As a pioneer of new technologies, the company has shaped change, within both the industry and the world of mobility,” commented **Harald Krüger, Chairman of the Board of Management of BMW AG**, at the Annual Accounts Press Conference in Munich on Wednesday. “We are setting the standard with our Strategy NUMBER ONE > NEXT, both now and in the future. We will lead the BMW Group into a new era, one in which we will transform and shape both individual mobility and the entire sector in a permanent way.”

The BMW Group sees the changes sweeping across the world of mobility through digitalisation as an excellent opportunity to make mobile life simpler, safer and more convenient, thereby inspiring completely new customer groups.

In the coming years, the Group will focus on broadening its **technological**

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**expertise**, expanding the scope of **digital connectivity between people, vehicles and services** and actively strengthening **sustainable mobility**.

The technological focus will therefore be on consistently achieving further advances in the fields of **electric mobility and automated driving**. The BMW Group has proved its credentials as a pioneer and visionary driver of innovation with the BMW i brand, of which more than 50,000 vehicles have already been sold, as well as with the latest version of its connected and intelligent flagship BMW 7 Series.

### **BMW iNEXT as symbol of technology leadership**

The BMW Group's strategy will become driving reality, ushering in the next decade in the form of a revolutionary new BMW i model that will raise premium individual mobility to previously unknown levels. Under the banner of **BMW iNEXT**, the BMW Group brings new forms of automated driving and digital connectivity together with a new generation of electric mobility, lightweight construction and trailblazing interior design that will set new standards for the customer's mobility experience.

“BMW iNEXT heralds the next era of mobility,” stated Krüger. “This symbol of our technology leadership will demonstrate how we will bring the future of mobility into series production.” It also underlines BMW i's role as a driver of innovation and technological trailblazer for the company. The brand develops trendsetting technologies and services, subsequently transferring them to the BMW model range.

The leading role of BMW i in terms of development is already being reflected in the increased scale of electrification in other models. The current plug-in hybrids are in their third generation and are technological market leaders. With the fourth

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generation, the electric range will be extended. Development of the fifth generation, which will bring further progress in all areas is already underway.

This technology transfer is the basis for the plug-in hybrid BMW **iPerformance models**. From 2016 onwards the BMW Group will have seven models in its range, which will be either purely electrically powered, like the BMW i3, or feature a combination of combustion engine and electric motor as plug-in hybrid solutions. Further models are due to follow in the coming years, including a plug-in hybrid **MINI**. In addition, the award-winning plug-in hybrid sports car BMW i8 will be added to by an open-top **BMW i8** roadster. By the end of 2016, the Group's electric vehicle portfolio will be expanded to include a BMW i3 that features increased battery capacity and additional range.

The BMW Group also continues to develop **hydrogen fuel-cell technology**; the current test vehicles achieve a range up to 700 kilometres. The company believes that a variety of drivetrain systems will exist alongside each other in the future. This expectation is fully reflected in the BMW Group's current **vehicle architecture**, which includes all conventional and alternative drivetrain systems. This guarantees maximum flexibility at all stages of development and production and, thanks to benefits of scale, is also highly cost efficient.

### **Project i 2.0 to ensure a leading role in automated driving**

The fact that the BMW Group has already made so much progress in e-mobility is largely due to project i, through which the BMW Group established itself as a true pioneer of sustainable mobility. Project i enabled the company to build up the necessary expertise in electric mobility early on, whilst at the same time ensuring it could be realised on an industrial scale. With **project i 2.0**, the BMW Group is now following an equally ambitious path with respect to automated and fully networked driving. By bundling the potential opportunities offered by digitalisation, the BMW Group will cement its position as technological leader in

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this field, too. A clear focus will be placed on **high definition digital maps, sensor technology, cloud technology** and **artificial intelligence**, the decisive areas for success in this segment. With the investment in HERE the BMW Group has already secured the availability of high definition maps.

“Our focus is clear: we are securing the BMW Group’s position as technological market leader,” said **Klaus Fröhlich, member of the Board of Management responsible for Development**. “With project i 2.0 we will lead the field of autonomous driving. We will turn research projects into new kinds of industrial processes, bringing future technology onto the road.”

Since October 2015, customers can experience the next levels of automated driving innovation and a **new quality of premium mobility** with the new BMW 7 Series. Equipped with a stereo camera and five radar sensors, the BMW Group's flagship model stays in lane and maintains a safe distance to the vehicle ahead, even when driving up to 210 km/h on motorways. The BMW 7 Series is even able to drive itself into the garage at the push of a button using Remote Control Parking. With gesture control and its comprehensive connectivity, the BMW flagship is already the benchmark in terms of user interface and connectivity.

To further extend its lead in the field of automated driving, the BMW Group will be transferring these technologies to other models during the coming years. New sensor technology and more powerful software will allow rapid progress to be made in the field of automated driving; the BMW iNEXT will set a new benchmark in this area.

## Digitalisation makes mobile life easier for customers

New technologies not only make driving more comfortable, they also forge the link between the mobility of the future and all other areas of life. Connectivity is the prerequisite for realising this vision – and it is precisely in this field that

**ConnectedDrive** has been setting standards for several years now.

“In the future, all aspects of our products – whether design, handling or everyday usage – will be modelled more closely than ever before on the customer's needs,” stated **Fröhlich**. “Our technologies will learn to anticipate the needs of our customers. By converting data into intelligence, we will be enhancing the quality of life in a mobile world.”

**BMW Connected** already acts as a personalised companion for our customers, providing a broad array of information to serve their mobility needs. The system becomes increasingly acquainted with the user's favourite routes and driving habits, thus enabling it to provide warnings of road closures or congestion ahead and suggest alternative routes.

The BMW Group was also quick to recognise the increasing importance of other digital services, making products such as **DriveNow**, **ParkNow** and **ChargeNow** key factors in the BMW Group's future success. The BMW Group will announce the next steps in enhancing these various services during the current year, consistently and rapidly expanding its mobility services.

Apart from the services it is developing in its own right, the BMW Group is also investing in a number of promising start-ups and service providers via **BMW i Ventures**. This entity enables the Group to swiftly identify and respond to **worldwide mobility trends**, a crucial advantage in view of the faster pace of development cycles in the IT sector compared to the automotive world.

## **Traditional business will continue to play a significant role**

New technologies and digital services will change today's business areas. But the long and capital-intensive investment cycles that exist in the sector, combined with the product's long life span, mean these changes will not occur abruptly. The BMW Group expects a transformation that will steadily gather pace, but nevertheless stretch over a long period and develop diversely from one region to the next. This is already fully reflected in the BMW Group's current vehicle architectures, which include all conventional and alternative drivetrain systems.

One example of this is **the combustion engine**, which will continue to play a major role for many years to come. There will therefore be no let-up in the BMW Group's efforts to improve the efficiency of established processes and continually optimise the technologies involved. Under the banner of **Efficient Dynamics NEXT**, development work on existing drivetrain technologies continues unabated, always looking for ways to improve the efficiency of combustion engines.

"Our key to success going forward is a dual approach: We need to manage our current business to perfection, while continuing to grow in a targeted fashion, in order to secure the necessary investments and headroom we need to achieve success, both tomorrow and beyond," explained Krüger. We are working to shape the future of mobility ourselves by merging operative excellence and new ways of thinking within one organisation."

## **New models for BMW and BMW M**

At a product level, the BMW Group continues to emulate its highly successful mid- and upper-range segment strategy in the premium class. The BMW 3 Series and the BMW 5 Series, including their various derivative versions,

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have long since achieved and retained **segment leadership** thanks to technological innovation, compelling product quality and emotional design.

After leading the premium segment for more than ten consecutive years, the BMW brand is now poised to strengthen its position on a sustainable basis at the top end of its product portfolio, where rates of return are at their highest. “We will be broadening our model range with the **BMW X7**,” Krüger said. “We are also taking an in-depth look at the additional potential of this highly attractive segment.”

The BMW M brand will also strive to continue its 40-year-long success story with its range of highly emotional and coveted vehicles. Since it was founded in 1972, the legendary M GmbH has been a pioneer in high-performance vehicles, producing vehicles which offer unparalleled performance, agility precision and the presence to own the road. While the legendary M1 (1978) remains unforgotten, the latest addition to the fold, the **BMW M2**, is currently impressing both press and public with its superb driving dynamics and superior performance, broadening the BMW M product range in a segment that is currently growing strongly. A Further **expansion of the M product range** is already being planned. Furthermore, the BMW Group intends to expand its range of powerful **M Performance** models within the higher volume segments, with a view to capitalising on the growth and earnings potential of the BMW M brand.

The future of pure luxury motoring is already taking shape as **Rolls-Royce Motor Cars** begins testing its new aluminum space-frame architecture which will underpin all future Rolls-Royce model lines. This is the first stage of a development that will see a new generation of Rolls-Royce motor cars become available from early 2018.

On the basis of its comprehensive strategy, the **BMW Motorcycles** segment strives to sustain its profitable and sustainable growth over the coming years. Its strategic goal is to deliver 200,000 vehicles to customers in 2020. As part of its new product strategy, BMW Motorrad will also be venturing into the motorcycle segments below 500 cc with its new BMW G 310 R.

### **BMW Group expands profitability targets**

The Group's focus remains very much on profitable growth and the continuous quest for efficiency. Despite considerable levels of investment in, and upfront expenditure for, new technologies as well as greater costs to meet increasingly rigorous regulatory requirements, the BMW Group continues to target an **EBIT margin of between 8 and 10% in the Automotive segment**. The Financial Services segment continues to target a return on equity (RoE) in excess of 18%. "For us, strategy and profitability are inextricably linked," said **Friedrich Eichiner, member of the Board of Management responsible for Finance**. "Our financial strength today is the basis for our success tomorrow."

To do justice to the increasing importance of segments other than the Automotive segment and their growing share of revenues, the BMW Group is introducing additional performance figures from the year 2017 onwards: At Group level the company will target an **EBT margin of at least 10%**. The Motorcycles segment will adopt an EBIT margin target range of between 8 and 10%. Both figures will at first be valid up to and including 2020.

### **Values are an important factor for corporate success**

A strategy is worthless without the right people to implement it. This is why the BMW Group is convinced that alongside technological progress, the right framework within the **corporate and leadership culture** is essential in order to shape future change in the world of mobility.

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"We need to be able to act swiftly in the digital world and be prepared to take risks," commented Krüger. "This is only possible when we place our **trust** in the judgement and decisions of our employees. What at first sight appears to be a "soft" factor does in fact have a real economic value for the BMW Group."

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With its BMW, MINI and Rolls-Royce brands, the BMW Group is the world's leading premium manufacturer of cars and motorcycles and provider of premium financing and mobility services. It operates internationally with 30 production and assembly plants in 14 countries and a global sales network represented in more than 140 countries.

During the financial year 2015, the BMW Group sold approximately 2.247 million cars and some 137,000 motorcycles worldwide. Group profit before tax reached € 9.22 billion on revenues totalling € 92.18 billion. At 31 December 2015, the BMW Group had a workforce of 122,244 employees.

Long-term thinking and responsible action have long been the foundation of the BMW Group's success. Ecological and social sustainability along the entire value-added chain, full responsibility for our products and an unequivocal commitment to preserving resources are prime objectives firmly embedded in our corporate strategy.

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