



ROLLS-ROYCE
MOTOR CARS LTD

KEY MESSAGES

BMW GROUP INVESTOR AND ANALYST DAYS 2024.

15 – 16 JULY 2024, MUNICH.

**BMW
GROUP**

INVESTOR AND ANALYST DAYS 2024: KEY MESSAGES (1/4). BRAND STRATEGY & DESIGN.

- BMW Group is a **truly global company** spanning over a hundred markets around the world.
- Everything starts with the brands and the customers.
- Our **four premium-only brands** – BMW, MINI, RR and Motorrad – are strong today and well-positioned to remain strong in the future. Alpina will add to this in future. Our core BMW brand is **ranked a top 10 global brand by Interbrand**.
- The sum is greater than the individual parts and the complementary positioning gives us **broad market access to different customer segments**.
- Our **comprehensive customer research** around the globe ensures that we remain attuned to the shifting requirements. We are aware of the segments where we are strong and where we have opportunities to develop further by region.
- We have **deep knowledge of customer needs** across each brand, decode their future needs and **tailor the respective positioning** accordingly.
- We focus on the customer experience to provide a **holistic solution across product, digital and service**.
- **Design** is and will remain a **top criteria for premium customers** around the world in choosing a vehicle.
- With the **new MINI family** we are currently introducing **next level design** with existing models and the all new, fully-electric Aceman. This is a great example of how the familiar DNA is being evolved and futureproofed.
- **The NEUE KLASSE** will introduce a **new design language** at the BMW brand that will roll out across the whole portfolio in the next few years.
- Our **flexible architectures** allow us to offer multiple products / design on the same base to appeal to different customer segments, while also driving synergies.
- This also offers **flexibility and resilience in our global business model**.
- Alongside brand, it is the product and UI/UX that counts. And for premium that means the seamless integration of design, performance, innovation, digital, luxury, quality and safety with a customer centric approach.

INVESTOR AND ANALYST DAYS 2024: KEY MESSAGES (2/4). SOFTWARE DEFINED VEHICLE & UI/UX.

- BMW Group has a **clear digital strategy** and reshapes the perspective on the customer journey based on a software defined vehicle approach. The strategy sets clear guidelines focused on a **tangible intelligent driving experience** based on **driver centricity, predictive and connected driving experience** as well as **trust and transparency**.
- **Integration is the key word** when it comes to the digital customer experience – managing complexity, delivering a great experience together, making it seem effortless and delivering strong profits at the same time.
- The **experience is increasingly shaped by digital** – whether optimizing the driving experience, delivering new UI/UX solutions or managing the processes to continuously update the vehicle with innovative new technology. This is all being unified in our **“Digital Signature”**.
- We have **pioneered innovation** in this digital space in the past with the introduction of the **iDrive** controller in 2001, the first **head-up display** and the **digital key** to name just a couple of examples. We will continue spearheading digital innovation and the next big step comes with the NEUE KLASSE.
- We are focused on leveraging hardware and software to deliver added value for our customers. We prioritize accordingly, **delivering an appealing and intuitive driving experience while avoiding distractions**.
- Our business is **data driven**. We leverage the **anonymous real customer data** from our **connected vehicle fleet with 22+ million vehicles on the road** to drive innovation and progress. We prioritize releasing complete and safe solutions to our customers. **Over-the-air updates to a fleet of 8+ million vehicles** and accessing all systems within the vehicle allow us to **deploy new software updates and upgrades quickly and easily**. That fleet grows with each new vehicle that we sell. Our vehicle backend processes **12+ billion requests per day with a 99.95% reliability**. These figures will **triple over the next two years**.
- We find the **right combination of in-house development and collaboration with partners** with our **“pick and choose” strategy** to ensure **competitiveness, capital and cost efficiency as well as market relevance and agility**.
- We deliver this with over **8,500 IT and software experts** operating in a **global network** spanning Germany, Portugal, South Africa, India, China, Tokyo, the U.S. and Brazil.

INVESTOR AND ANALYST DAYS 2024: KEY MESSAGES (3/4).

SOFTWARE DEFINED VEHICLE & UI/UX.

- We have defined processes based on **24/7 activity and agility to rapidly develop and deploy software**. Our **"Software Factory"** has harmonized and professionalized our software development processes, methods and tools. Over the years we developed a **fully-customized and one of a kind "Integrated Developer Environment"** in the automotive industry we call **"Codecraft"**. It gives our developers access to the entire code repository and features automated and virtualized testing to ensure quality (10k+ simultaneous coders, 500+ mn lines of code, 110k+ SW builds per day, ...).
- Our Software Defined Vehicle is built on a **digital foundation with three essential pillars – Onboard, Offboard, Developer Tooling**. Onboard we have **three main software platforms for Infotainment, ADAS and Driving/Body**.
- We are making a step change with our new ECU architecture being the first OEM to **introduce full zonalization of the wiring harness with NEUE KLASSE**. This facilitates a **30% weight reduction, decreases the number of variants by factor 3000**, and increases **power efficiency by + 20%** while also enabling **automated assembly**. Together with Infineon we have co-developed **smart eFuses** which deliver **intelligent, safer and more efficient power management**.
- **The zonal architecture is based on three tiers of ECUs: (1) Central performance compute** (our "Four Superbrains"); **(2) Zonal compute and (3) Peripherals**.
- We are equally focused on forwards and backwards integration that is being rolled out with our new service packs.
- We have a dedicated team of **3,500 software engineers in China** that are focused both on delivering local solutions to the specific needs of that market and also to share leading edge innovations from China with the rest of the world. We partner with leading Chinese software players such as Alibaba, Tencent, Baidu.
- **Faurecia Aptuide** enables us to **offer 3rd party apps in our Connected Drive store**. In China, we partner with Huawei for the 3rd party app store.
- BMW Group today is the only OEM capable of **integrating a L2+ and L3 offer in the same vehicle (7 series)**. We are a partner of choice in different geographies to work with authorities on developing standards / solutions.
- Our approach to innovation and tech all comes together with the **NEUE KLASSE**. This will demonstrate how we master and integrate technologies in the BMW way across four key clusters – **Digital, Ultimate Driving, Powertrains and Circularity** – with a clear objective to offer the best vehicle experience.
- We will roll out the next generation battery technology, the new tech stacks and digital solutions and the new design language **across the whole portfolio, irrespective of the drivetrain**, following the launch of NEUE KLASSE at the end of 2025.

INVESTOR AND ANALYST DAYS 2024: KEY MESSAGES (4/4).

FINANCIAL STEERING / NET FINANCIAL ASSETS.

- Our long range plan provides the backbone and our **integration of project and periodical steering** ensures that we **optimize value creation**.
- We maintain a **strong balance sheet** and we **steer Return on Capital Employed (ROCE) of Segment Automotive** to exceed Weighted Average Cost of Capital (WACC) and generate the added value at Group level.
- We operate the business across the segments Automotive, Motorrad, Financial Services and Segment Other Entities. The latter comprises **holding companies that collect dividends from the business units** as well as treasury centers that source capital for the financial services business.
- **Financial services** receives a **blend of funding from the capital market and internal funds** (originating in the Auto business). This allows us to manage our credit rating, risk position and our interest rate costs in order to generate a better Group EBT that is the basis for dividend payments.
- Our new, **comprehensive Net Financial Assets Automotive** comprising net financial assets in Segment Automotive and in the holding companies in Segment Other Entities supports this approach. The partial deployment of these funds to financial services is a consequence of our strong balance sheet and not an objective in itself.
- We will report the combined Net Financial Assets Automotive figure going forward to provide more transparency. As of **31.12.2023**, Net Financial Assets Automotive totaled **45.5 billion EUR**.
- We made a **paradigm shift** in our **shareholder return strategy in 2022** following the full consolidation of BBA. The payout ratio of Auto free cashflow (FCF) in years 2013-2021 was an average of around 55%. We then **launched a share buyback program in 2022** as an additional tool to supplement dividends. As a result the payout ratio of Auto FCF attributable to BMW AG shareholders in 2022 and 2023 was 70% and 92% respectively.
- We will continue this return strategy going forward. 30-40% of BMW Group net profit attributable to BMW AG shareholders are paid out as dividend and, additionally, we flexibly operate share buyback programs based on remaining Auto FCF.