BMW GROUP

Corporate Communications

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Agility, efficiency, AI-based innovations: BMW Group sets course for greater profitability and resilience

- Focused product portfolio for higher return on investment
- Targeted expansion of highly profitable segments
- Increased regionalisation of model line-up and production
- Optimisation and further development of entire value chain
- AI-based innovations for systematically higher development speed
- Efficiency and faster decision-making through 20 percent leaner management structures
- Competitiveness and resilience: EBIT margin back within eight-to-ten-percent range by early 2030s

Munich. The BMW Group provided a first glimpse of its future plans at its Capital Market Day 2026. The aim is to strengthen the company's resilience and enhance the competitiveness of its structures. In this way, the BMW Group is preparing to face increasingly challenging market conditions in the years ahead. To achieve this, the company is relying on its strategic strengths: technology openness, potential for technological innovation, a global presence and a clear premium brand strategy.

In recent months, the BMW Group has made far-reaching decisions and begun implementing initial measures to significantly increase speed and efficiency across the company. A large number of additional topics are currently being evaluated, with decisions expected by spring 2027. Based on these measures, the company aims to be back within its long-term target range of eight to ten percent for EBIT margin in the Automotive Segment by the start of the next decade. Free cash flow in the Automotive Segment should then increase to at least seven billion euros. As an initial interim step in 2028, the EBIT margin is expected to be within the range of three to five percent.

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"The BMW Group has always been at the forefront of the automotive industry – and that is where it belongs in the future as well. Under increasingly challenging conditions, we have defined initial measures to reposition ourselves and will implement them with strong momentum," said Milan Nedeljković, Chairman of the Board of Management of BMW AG, on Wednesday. "The BMW Group has the critical expertise to successfully pursue this path. The strengths of our corporate culture are also crucial to this: Courage and pragmatism will be just as important as having an entrepreneurial mindset and the determination to succeed," Nedeljković continued.

Walter Mertl, member of the Board of Management of BMW AG responsible for Finance, added: "The BMW Group remains committed to maintaining its consistent focus on value creation and sustainable profitability. At the same time, we will continue to ensure that our shareholders also share in the company's long-term success."

Regional and focused: Product portfolio revised to enhance profitability

As the first step in this process, the BMW Group's model line-up will be aligned even more systematically with diverse regional customer preferences. This includes targeted expansion and strengthening of the product range, as well as significant adjustments to its drive train portfolio, focusing on models that can deliver the greatest value for customers and the highest contribution margins over the long term in each market. At the high end of the portfolio, the BMW, BMW M and Rolls-Royce brands will be refined to leverage their respective strengths and unlock additional earnings potential.

In this context, the BMW Group will bring the first model of the BMW ALPINA brand to market in the coming year. Inspired by the BMW 7 Series, the company is strategically expanding its range of products in the segment between BMW and Rolls-Royce with this new offering and tapping into additional potential at the top end of the market.

At the same time, the number of variants across the entire portfolio will be reviewed and reduced to optimise profitability. For example, there will be no successor to models such as the BMW 2 Series Active Tourer.

More local production in China – expansion of exports under review

A particular focus of the portfolio streamlining is on **China**, where local production in the high-volume segments will be expanded with the launch of the Neue Klasse, while imports will be limited to the models with the highest margins.

Local development activities will also be expanded and technological features designed to meet Chinese customers' needs more closely. The aim is to increase the share of locally manufactured vehicles developed specifically to suit Chinese customer preferences to at least 95 percent by 2030.

As part of the further development of its production network, the company is also considering expanding exports of vehicles manufactured in China to Southeast Asian markets.

Top-end addition for the US – more regionalised SAV production

Specifically for the highly successful Sports Activity Vehicle (SAV) segment in the **US,** the BMW Group is considering introducing an additional offering above the current top-end model, the BMW X7, that would be closely tailored to the needs of the US market.

Demand for BMW's globally highly successful premium SAV models is already so high that Plant Spartanburg, the "home of X", is currently operating at full capacity. In this situation, the BMW Group is also striving for greater regionalisation so it can expand global production of these models. This would enable the company to meet growing customer demand in all sales regions more comprehensively and more directly.

Compact BEV with Neue Klasse technology for Europe

In 2028, with a focus on Europe, the BMW Group will strengthen its presence in the high-volume entry segment with another fully-electric model from the Neue Klasse. Having initially rolled out the technologies of the Neue Klasse at the core of the BMW brand and with the BMW X5 and BMW 7 Series now also available in the upper segments, the next step will be for compact models to also benefit from these innovations.

In this way, the company – in combination with its fully-electric MINI model range – is further strengthening its successful line-up of emotionally appealing compact

models with innovative Neue Klasse technologies, which continues to drive the reduction of its fleet-wide CO_2 emissions in the EU.

Artificial intelligence as key lever for agility and efficiency

The wide-scale rollout and systematic use of artificial intelligence across the company is a key driver of increased speed and agility, faster decision-making and greater efficiency – from development and purchasing through to sales and marketing and aftersales.

“Consistent use of agentic AI applications across all areas of the company will be a game-changer for more agile and efficient development, leaner structures and faster decision-making,” says CFO **Mertl**.

AI-based innovations for significantly faster development

A particular focus is on optimisation and further development of the entire value chain. The BMW Group will continue to set new technology benchmarks with brand-defining innovations such as the sixth-generation e-drive, the “Heart of Joy” – the dynamic heart of the Neue Klasse, and the BMW Panoramic iDrive. More than 100,000 new orders for the BMW iX3* in Europe and the strong customer interest in the new BMW i3 and the new BMW X5 confirm the BMW Group's consistently high innovative potential.

On the manufacturing side, artificial intelligence is already an integral part of the BMW Group’s production system and a core element of the BMW

iFACTORY. Relying on a standardised IT and data model, intelligent systems are being used at nearly every stage of production – from virtual factories with digital twins and AI-supported quality inspections to intralogistics with autonomous transport solutions. Going forward, digital AI agents will increasingly perform challenging tasks autonomously in a continuous learning process. In combination with self-learning robots, this gives rise to Physical AI – as the basis for flexible, efficient and competitive production.

To further accelerate development of these kinds of brand-defining innovations, the role of artificial intelligence will also be significantly expanded throughout the entire value chain.

The BMW Group will transfer AI from individual applications to core vehicle development processes. In the future, agentic AI is expected to provide end-to-end support, from the initial technical requirements to testing and release. To achieve this, the company is connecting specialised digital agents with a foundation of development data and existing IT systems built up over decades. This allows complex information to be analysed more quickly, routine tasks to be automated and processes to be designed more efficiently. The results are consistently monitored, reviewed and finally approved by the developers.

One example of this is the collaboration between the BMW Group and AI company Mistral on crash simulations. By combining the BMW Group's engineering datasets with Mistral AI's training capabilities, this combination enables the creation of specialised AI model, that enhance the quality, speed

and efficiency of vehicle development. To scale this approach, the BMW Group is relying on Large Industry Models (LIMs) – a new generation of AI systems trained on industry-specific engineering and simulation data, which make industry expertise directly usable.

At the same time, to substantially reduce the effort involved across development, purchasing and production, high-quality "Industry Best Offer" solutions – representing an optimal combination of innovation and scalability – will also be more widely used in the future. This will allow the BMW Group to focus its expertise and capacity more on the areas that most strongly differentiate its own brands from the competition.

From software-defined vehicle to AI-defined vehicle

With the first models of the Neue Klasse, BMW has laid the foundation for the next generation of digital vehicles. The new zonal electrical and electronics infrastructure will be used across all vehicle segments. This will reduce complexity, leverage economies of scale and make new functions available to customers faster. The Neue Klasse already demonstrates how intelligent software and artificial intelligence optimise the customer experience. They create the ideal basis for the next phase of development: the **AI-defined vehicle**. Here, the focus is no longer on individual functions, but on the intuitive interaction of the whole vehicle across all vehicle domains. From driver assistance to infotainment to basic and comfort functions, all systems work together seamlessly and intelligently, according to the situation.

Level2++ driver assistance solutions for China, the EU and the US to launch in 2027

The AI transformation is also speeding up development of driver assistance systems at the BMW Group. The new L2++ system developed in partnership with Momenta will be rolled out in China with the launch of the Chinese variant of the BMW iX3. As the only system on the market, it offers the brand-specific BMW Symbiotic Drive, which ensures intuitive interaction between the driver and assistance functions.

Next year, as a result of the development cooperation with Qualcomm, the BMW Group will be among the first manufacturers to offer navigation-guided driver assistance in Germany – on motorways, secondary roads and city streets – based on the new DCAS regulation (a Europe-wide legal framework for "Driver Control Assistance Systems"). Other countries, including the US, will follow in stages. All customers driving the new vehicle generation will be able to flexibly activate the additional features over the air.

By the end of the year, BMW will offer its proven Highway Assistant with hands-free assisted driving in 21 countries. BMW customers have already driven more than 250 million kilometres hands-free with the Highway Assistant. For the BMW iX3 and subsequent models, the Highway Assistant has been upgraded with BMW Symbiotic Drive. This functionality is specifically designed to ensure seamless interaction between assistance systems and human driving behaviour. With driver assistance active, the driver can accelerate, steer and brake as needed, without immediately

triggering deactivation of longitudinal and lateral guidance. The operating logic and clear displays in the BMW Panoramic iDrive ensure that assisted driving is intuitive and controllable at all times – for safe use of the highest level of automation in SAE Level 2.

Critical raw materials: Greater resilience across global supply chains

To increase resilience in times of geopolitical volatility, the BMW Group is adopting new approaches to the procurement of critical raw materials and components. The company is focusing on new partnerships, alternative concepts and collaborations, as well as closer cooperation across competitors within the European Union to secure supplies of critical raw materials and components, including semiconductors. Alongside stakeholders in the automotive industry, policymakers are increasingly called upon to develop solutions and ensure greater resilience in the face of global competition.

BMW to introduce new sales model in Europe in 2027

Following the successful go-live of the genuine agency model for MINI sales in 24 European markets, the rollout for the core BMW brand is scheduled to get underway in mid-2027. This gives the company a consistent Europe-wide data basis spanning the complete customer journey, from test drive to aftersales. Here, artificial intelligence is not merely an additional tool, but the foundation of the entire sales system, enabling even more tailored solutions for every customer through both local retail partners and digital offerings.

Adjustments to personnel and management structures

Alongside adjustments to its model line-up and planned internal efficiency gains, the BMW Group is also increasingly examining its costs and operational processes.

"Our global business model remains the foundation of our success. At the same time, we are improving our structures and cost base so we can meet the increasingly fierce competition that will define this industry in the coming years. The workforce restructuring programme is an important lever for this," said Nedeljković.

To continue aligning the company with lasting changes in the operating environment, the BMW Group already reached an agreement on a significant adjustment to personnel structures with the Works Council in July and is firmly committed to this course.

In addition to a voluntary severance programme, processes will be significantly streamlined and accelerated over the coming months. Through the efficient use of artificial intelligence, the company aims to align itself even more systematically for agility and effectiveness across all departments and corporate levels. This calls for significantly leaner management structures and a reorganisation of the divisions. By the middle of next year, the BMW Group will reduce the number of divisions and associated management roles by 20 percent, with a comparable reduction at the organisational levels below.

With a focused portfolio, regionalisation of the model line-up and AI-based innovations, the BMW Group is reinforcing its long-term strategic direction as a leading global premium manufacturer through the implemented measures. At the same time, technology openness and the Neue Klasse, with its exceptional product momentum, remain the firm cornerstones of the BMW Group and the foundation of its corporate strategy.

Overview of quotes:

Milan Nedeljković, Chairman of the Board of Management of BMW AG: "The BMW Group has always been at the forefront of the automotive industry – and that is where it belongs in the future as well. Under increasingly challenging conditions, we have defined measures to reposition ourselves and will implement them with strong momentum. The BMW Group has the critical expertise to successfully pursue this path. The strengths of our corporate culture are also crucial to this: Courage and pragmatism will be just as important as having an entrepreneurial mindset and the determination to succeed."

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Questions and answers:

What are the BMW Group's financial goals for the measures presented at the Capital Market Day?

The BMW Group aims to be back within its long-term target range of eight to ten percent for EBIT margin in the Automotive Segment by the start of the next decade. An EBIT margin of three to five percent is the interim target for 2028. This is based, for example, on a more focused and strongly regionalised product portfolio, efficiency gains throughout the value chain and leaner organisational structures.

Which concrete measures did the BMW Group present?

- Two new models: an SAV above the current BMW X7 top-end model and a fully-electric model in the entry segment, with a focus on Europe.
- There will be no successor to several models, such as the BMW 2 Series Active Tourer.
- In China: more localized models, with the export of vehicles manufactured in China to Southeast Asian markets under review.
- Systematic use of artificial intelligence across the company, from development and purchasing through to production and aftersales.
- Implementation of the personnel restructuring programme, with a 20-percent reduction in the total number of divisions and associated management roles.

What role does artificial intelligence play in the BMW Group's strategy?

Going forward, the goal is for artificial intelligence to be used consistently across all core business processes: from development and purchasing, through production, sales and marketing, to aftersales. For example, in vehicle development, AI agents will support technical requirements, testing and release, analyse complex information faster and automate routine tasks. In production, AI-based systems are already used throughout many process steps.

CO_2 emissions and fuel consumption.
BMW iX3 50 xDrive: energy consumption combined: 18.1-15.1 kWh/100 km (WLTP); CO_2 emissions combined: 0 g/km (WLTP); CO_2 class(es): A; electric range: 673-805 km (WLTP)

If you have any questions, please contact:

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The BMW Group

With its four brands, BMW, MINI, Rolls-Royce and BMW Motorrad, the BMW Group is the world's leading premium manufacturer of automobiles and motorcycles and also provides premium financial services. The BMW Group production network comprises over 30 production sites worldwide; the company has a global sales network in more than 140 countries.

In 2025, the BMW Group sold 2.46 million passenger vehicles and more than 202,500 motorcycles worldwide. The profit before tax in the financial year 2025 was € 10.2 billion on revenues amounting to € 133.5 billion. As of 31 December 2025, the BMW Group had a workforce of 154,540 employees worldwide.

The economic success of the BMW Group has always been based on long-term thinking and responsible action. Sustainability is a key element of the BMW Group's corporate strategy and covers all products – from the supply chain through production to the end of their useful life.

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