



Joachim Milberg
Chairman of the Supervisory Board

Dear Shareholders and Shareholder Representatives,

Back in 2007, the BMW Group set a new strategic course with the adoption of its strategy “Number ONE”. Today, we can look back on the fifth successive year in which we have achieved record figures. Responsible management involves anticipating new developments and initiating the next moves in good time to ensure the future success of the business. This forward-looking approach applies equally to the Supervisory Board. By taking the step of announcing Harald Krüger’s future appointment to the position of Chairman of the Board of Management at an early stage and implementing other decisions with respect to the board’s composition, the resolutions adopted by the Supervisory Board in 2014 have set a clear-cut course for the future leadership of the BMW Group. At the same stage, we also announced our plan to ring in a change at the head of the Supervisory Board in 2015 by declaring our unanimous support in favour of the appointment of Dr Norbert Reithofer as its new Chairman. With the backing of major shareholders, we intend to propose his election to the Supervisory Board at the Annual General Meeting. These proposed changes in leadership have been initiated in order to strengthen the position of the BMW Group by ensuring a long-term management perspective.

Main emphases of the Supervisory Board’s monitoring and advisory activities The Supervisory Board again advised the Board of Management during the past financial year and carefully monitored its governance of the business. Our work, both within the Supervisory Board and together with the Board of Management, was constructive and characterised by open, trustful interaction.

In a total of five Supervisory Board meetings, we deliberated on the current situation of the BMW Group as well as on macroeconomic developments in its most important sales markets. Additional key points of debate at our meetings were Group corporate strategy and planning. Furthermore, we developed concepts for a generational change at the chair level of both the Board of Management and the Supervisory Board, took decisions regarding the composition and compensation of the Board of Management and passed resolutions with respect to corporate governance.

We carefully monitored the performance of the BMW Group, both at scheduled meetings and at other times as the need arose. In particular, the Board of Management kept us well informed of all key sales and workforce figures. The Chairman of the Board of Management, Dr Norbert Reithofer, informed me promptly and directly about major business transactions and projects. In addition to scheduled meetings, Dr Karl-Ludwig Kley, the Chairman of the Supervisory Board’s Audit Committee, and Dr Friedrich Eichiner, member of the Board of Management responsible for Finance, consulted with each other directly at other times as the need arose.

At the beginning of the year, the Board of Management presented us with a summary of new and revised models scheduled for market launch over the course of 2014.

In its regular reports on the financial condition of the Group, the Board of Management informed us of sales volume developments and market competition issues relevant for the Automotive and Motorcycles segments and highlighted fluctuations in the size of the workforce. Equally, we were kept up to date with respect to the market developments and economic prospects of the world’s key regions. On the Financial Services side of the business, the Board of Management provided us with regular updates on new business with retail customers, changes in the portfolio of contracts with dealerships and retail customers as well as the total volume of business.

The Board of Management also reported to us on its intention to increase the size of the Group’s production network, with particular regard to the planned expansion of the Spartanburg plant in South Carolina, USA, and the search for a new plant location in the NAFTA region, which is now due to be built in San Luis Potosí, Mexico. As part of this process, we also discussed with the Board of Management the general significance and scope of the “production follows the market” principle in the context of the global distribution of value added along the production chain.

Furthermore, both in business status reports and subsequent discussions with the Board of Management, numerous important current events and projects were addressed, such as the extension of the cooperation agreement with the Chinese joint venture partner Brilliance, the cooperation with Toyota and the current state of plans for the long-term development of production facilities in Russia. Other topics reported on and discussed at Supervisory Board meetings included the start-up of the new MINI at the Oxford plant, the current situation with recalls and the economic impact of the Ukraine conflict.

One Supervisory Board meeting was held in Shenyang, one of the locations operated by the BMW Brilliance Automotive Ltd. (BBA) joint venture in China. Representatives of the managements of BBA and the BMW sales company reported to us on sales volume trends and the car market in China in general as well as plans for additionally increasing production capacity in the plants located at Tiexi and Dadong in Shenyang. We also visited the production facilities of the Tiexi plant. Moreover, in the course of our on-site visits we gathered useful facts regarding cooperation with suppliers and dealerships in China. Reports from, and discussions with, local management representatives provided us with a useful overview of local developments in China and individual development projects, and helped provide a good insight into the specific needs of Chinese customers.

One two-day meeting of the Supervisory Board dealt with the BMW Group's corporate and product strategies as well as the Long-term Business Forecast. The format of the two-day meeting was designed to provide the opportunity for an in-depth discussion with the Board of Management on forward-looking topics and technical innovations.

In the first part of the meeting, together with the Board of Management we discussed the results of the corporate strategy Number ONE review, which is performed by the Board of Management once a year. Our discussions primarily focused on challenges involving further reductions in carbon emissions and also the electrification, digitisation and, in particular, the increasing connectedness of vehicle data. As part of its strategy review report, the Board of Management also looked at the importance of the "Future Retail" programme, which is designed to improve sales and after-sales services by consistently seeing things from the point of view of customers and intensifying their product and brand experience.

In the course of various vehicle presentations, we were given the opportunity to test selected BMW, MINI and Rolls-Royce brand cars on a test track. In addition, the current state of progress of selected vehicle development projects was presented and explained to us.

In the second part of the meeting we deliberated at length on the Long-term Business Forecast presented by the Board of Management for the years 2015–2020. After diligent examination, we approved the forecast.

We also gave in-depth consideration to the business development, strategic direction and role of the Financial Services segment going into the future. The Board of Management also reported on the latest developments on used car markets and explained individual measures designed to further improve the stability of the segment in times of crisis.

The two boards jointly discussed the annual budget put forward by the Board of Management towards the end of the year under report for the financial year 2015, and considered pertinent external factors.

The structure and amount of compensation of Board of Management members was examined once again in 2014 by both the Personnel Committee and the full Supervisory Board. In addition to comparing performance trends and board compensation on a multi-year basis, we also reviewed the development of the remuneration of senior management and employees of BMW AG within Germany over the course of time. An external

compensation consultant, independent of both the Board of Management and BMW AG, was called upon to provide expert advice and assist us in evaluating DAX compensation studies. After a careful review, we concluded that the compensation of board members is appropriate and that the current compensation system is functioning well. Further information on the compensation of Board of Management members is provided in the Compensation Report (see chapter Statement on Corporate Governance).

Corporate governance The Supervisory Board and the Board of Management again jointly addressed the topic of corporate governance within the BMW Group in 2014. In the most recent Declaration of Compliance, issued in December 2014, the Board of Management and the Supervisory Board declared that the BMW Group has and will continue to comply with all of the recommendations of the German Government Corporate Governance Code Commission published on 30 September 2014 (Code version; 24 June 2014), with one exception, which relates to the presentation of information concerning Board of Management compensation using stipulated model tables. We remain committed to providing information on board compensation that is both as comprehensive and comprehensible as possible, taking into account all relevant financial reporting requirements. After careful consideration, we came to the conclusion that the additional use of the tables recommended in the Code would not improve the desired level of transparency and readability of the Compensation Report.

As part of the joint examination of corporate governance within the BMW Group, the Board of Management informed both the Personnel Committee and the full Supervisory Board on the status of implementation of the BMW Group's diversity concept. This programme does not only focus on gender, it is also aimed at promoting diversity in other areas, particularly in terms of cultural diversity and age mix within the workforce. We were also informed with respect to the proportion and number of women occupying positions at various levels of management and deliberated with the Board of Management on the planned measures to continue the process of raising that proportion, specifically at a senior level. Consideration was also given to draft legislation relating to equal participation of women and men in management positions in Germany and the potential impact of this legislation on the BMW Group.

With regard to its own composition, based on a detailed composition profile, the Supervisory Board has decided upon specific appointment targets, which are discussed in detail in the Corporate Governance Report. Based on a self-assessment, the Supervisory Board concluded that its composition at 31 December 2014 meets the targets set.

BMW AG has entered into contracts for personnel-related services with an external entity, in which members of the Supervisory Board have an indirect participation. During the year under report, the Personnel Committee approved an amendment to these contracts as a precautionary measure. None of the members of the Supervisory Board with an interest in the relevant entity participated in this vote. Apart from this one matter, there were no indications of potential conflicts of interest involving Supervisory Board members during the financial year 2014.

Supervisory Board members are required to provide information on a quarterly basis of any significant transactions they or other related parties (as defined by IAS 24), including close relatives and intermediary entities, have with BMW Group entities.

We are fully committed to assessing and continuously improving the efficiency of the work of the Supervisory Board and its committees. The Chairman of the Audit Committee and myself are therefore always glad to receive comments and suggestions for improvement from Supervisory Board members. The formal examination of the Supervisory Board's efficiency is also treated each year as a separate agenda point for discussion, without the members of the Board of Management being present. The efficiency examination

in 2014, again prepared with the aid of a questionnaire, resulted in a number of suggestions being accepted for additional consideration.

Each of the five Supervisory Board meetings in 2014 was attended, on average, by over 95 % of its members, a fact that can be tied in to the analysis of attendance fees for individual members, as disclosed in the Compensation Report. No member of the Supervisory Board was absent at more than two meetings during the period under report. Presiding Board and committee meetings were fully attended in the vast majority of cases (see chapter Statement on Corporate Governance).

Description of Presiding Board activities and committee work In order to work more efficiently and prepare complex issues and decisions with greater thoroughness, the Supervisory Board has established a Presiding Board and several committees. A description of the duties, composition and work procedures of these committees is provided in the Corporate Governance Report.

The relevant chairmen reported in depth on the status of Presiding Board and committee work at the subsequent Supervisory Board meeting.

In a total of four meetings, the Presiding Board focused mainly on preparing topics for the meetings of the full Supervisory Board, unless this responsibility fell under the remit of one of the committees. Complex issues, such as the Long-term Business Forecast and the Annual Strategic Review, were dealt with on the basis of written and oral reports provided by Board of Management members and senior department heads. The Presiding Board selected further topics of discussion for Supervisory Board meetings and made suggestions to the Board of Management regarding items to be included in its reports to the full Supervisory Board.

The Audit Committee held four meetings and three telephone conference calls during 2014. Prior to their publication, the Interim Financial Reports were discussed with the Board of Management in those telephone conference calls. Representatives of the external auditors took part in the telephone conference call held to present the Interim Financial Report for the six-month period ended 30 June 2014. The report had been subjected to review by the external auditors.

The Audit Committee meeting held in spring 2014 was primarily dedicated to preparing the Supervisory Board meeting at which the financial statements were examined. Prior to proposing KPMG AG Wirtschaftsprüfungsgesellschaft for election as Company and Group auditor at the 2014 Audit Committee Meeting, we obtained a Declaration of Independence from KPMG. The Audit Committee also considered the scope and composition of non-audit-related services, including tax advisory services provided by KPMG entities to the BMW Group. There were no indications of conflicts of interest, grounds for exclusion or lack of independence on the part of the auditor.

The fee proposals for the audit of the year-end Company and Group Financial Statements 2014 and the review of the six-month Interim Financial Report were deemed appropriate by the Audit Committee. Subsequent to the Annual General Meeting 2014, the Audit Committee therefore appointed KPMG AG Wirtschaftsprüfungsgesellschaft for the relevant engagements and, with due consideration to the suggestions made by the full Supervisory Board, specified a number of audit focus areas.

The Head of Group Controlling reported to the Audit Committee on risk management processes within the BMW Group, provided information with respect to new developments and elucidated a number of risks which are required to be reported on in accordance with internal rules.

The Head of Group Financial Reporting provided the Audit Committee with an up-to-date overview of developments concerning the internal control system (ICS), which serves as the basis for financial reporting.

Testing performed during the year under report did not highlight any material ICS weaknesses which could jeopardise the system's effectiveness.

The Chairman of the BMW Group Compliance Committee reported to the Audit Committee on the concept that has been developed to strengthen local compliance functions as well as on the current compliance situation, which, as in the previous year, was deemed satisfactory overall. None of the information received relating to potential non-compliance or actual incidences of non-compliance identified in specific cases gave any indication of serious or systemic non-compliance with applicable requirements.

The Head of Group Internal Audit reported to us in the Audit Committee on the organisation of the Group Internal Audit as the BMW Group's "Third Line of Defence", informed us of the significant findings of audits conducted by Group Internal Audit, on both the industrial and financial services sides of the business, and explained the main points of emphasis for planned audits.

We concurred in the Audit Committee with the decision of the Board of Management to raise the Company's share capital in accordance with § 4 (5) of the Articles of Incorporation (Authorised Capital 2014) by €239,757 and to issue a corresponding number of new non-voting bearer shares of preferred stock, each with a par value of €1, at favourable conditions to employees.

The Personnel Committee convened six times during the financial year 2014. One major area of deliberation was the future composition of the Board of Management, with particular regard to preparing for successor decisions, including consideration of possible scenarios for the future change in the chair of the Board of Management.

In preparation for the full Supervisory Board's meetings, the Personnel Committee reviewed the structure and appropriateness of Board of Management compensation and prepared the Supervisory Board's decision with respect to board members' bonuses. In two cases we also gave our approval for one member of the Board of Management to accept the mandate for membership of the supervisory board of a non-BMW Group entity.

The Nomination Committee convened twice during the financial year 2014. At these meetings, we deliberated on successor planning for mandates of the shareholders' representatives on the Supervisory Board and considered proposals for candidates for the Supervisory Board elections at the Annual General Meeting 2015, taking the composition objectives stipulated for the Supervisory Board into due account.

The statutory Mediation Committee was not required to convene during the financial year 2014.

Generational change at head of Board of Management and Supervisory Board initiated The Supervisory Board worked through a number of scenarios with respect to succession planning at the head of the Supervisory Board and – together with the Chairman of the Board of Management, Dr Norbert Reithofer – assessed the range of options available for selecting a new Chairman of the Board of Management. Various constellations were examined, including the important issue of timing. We wanted to bring about a farsighted, timely change in leadership in order to strengthen the position of the BMW Group with a long-term perspective for management. We shared the opinion of major shareholders that Dr Reithofer's wealth of knowledge and experience should be retained within the BMW Group and that the Supervisory Board would benefit greatly from his playing a key role in its work.

The Supervisory Board therefore supports the proposal that Dr Norbert Reithofer be appointed to the position of Chairman of the Supervisory Board – subject to his election to that board. After carefully considering various scenarios, the conclusion was reached that a direct move by Dr Reithofer to the position of

Chairman of the Supervisory Board – without an interim phase – will strengthen the role of the Supervisory Board and is thus in the best interests of the BMW Group.

In order to ensure that this generational change can also take place in good time at the head of the Supervisory Board, in agreement with its other members, I have resigned my mandate as Supervisory Board member with effect from the end of the Annual General Meeting 2015.

In due consideration of these developments, the Supervisory Board has reached agreement with Dr Reithofer concerning the early termination of his Board of Management mandate and his service contract with effect from the end of the Annual General Meeting 2015.

Harald Krüger has been appointed Chairman of the Board of Management with effect from the end of the Annual General Meeting 2015, to coincide with Dr Reithofer's planned exit from the Board of Management. Harald Krüger brings a great deal of experience to this position from his previous board responsibilities. Since 2013, he has been in charge of Production, before which, from 2008 to 2012, he was first responsible for Human Resources and then for the MINI, BMW Motorrad, Rolls-Royce and BMW Group Aftersales division.

Other changes in the composition and organisational structure of the Board of Management Klaus Fröhlich, previously Head of Small and Mid-size Series BMW Group, was appointed as member of the Board of Management with effect from 9 December 2014, with responsibility for Development. His predecessor, Dr Herbert Diess, resigned from the Board of Management on 9 December 2014.

With effect from the end of the Annual General Meeting 2015, the Supervisory Board appointed Oliver Zipse, most recently Head of Corporate Planning and Product Strategy, as a member of the Board of Management. He will take over responsibility for Production from Harald Krüger.

The Supervisory Board also renewed the appointment of three Board of Management members in 2014.

Other personnel changes in the Supervisory Board In accordance with the regulations of the Co-Determination Act, the ten employee representatives were re-elected with effect from the end of the Annual General Meeting on 15 May 2014.

After 10 years of valuable and highly appreciated work in the Supervisory Board, Bertin Eichler did not stand for re-election. In his place, Christiane Benner (Executive Board member of IG Metall) was newly elected to the Supervisory Board as union representative. As a result, the Supervisory Board now has five female members (25%). Ulrich Kranz, Head of the BMW i product line, was newly elected to the Supervisory Board to succeed Dr Markus Schramm as executive staff representative. The Supervisory Board thanked the members leaving office for their constructive work and trusting cooperation within the Supervisory Board. The composition of the Presiding Board and the committees remained unchanged in 2014, with all previous members confirmed in their respective functions. The Corporate Governance Report includes an overview of the composition of the Supervisory Board and its committees (see chapter Statement on Corporate Governance).

Wolfgang Mayrhuber has resigned his mandate as member of the Supervisory Board with effect from the end of the Annual General Meeting 2015. We also wish to extend our thanks to him for more than ten years of valuable and highly appreciated service in the Supervisory Board, always working in the best interest of the Group.

Examination of financial statements and the profit distribution proposal KPMG AG Wirtschaftsprüfungsgesellschaft conducted a review of the abridged Interim Group Financial Statements and Interim Group Management Report for the six-month period ended 30 June 2014. The results of the review were presented to the Audit Committee by KPMG representatives. No issues were identified that might indicate

that the abridged Interim Group Financial Statements and Interim Group Management Report had not been prepared, in all material respects, in accordance with the applicable provisions.

The Group and Company Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the year ended 31 December 2014 and the Combined Management Report – as authorised for issue by the Board of Management on 19 February 2015 – were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and given an unqualified audit opinion.

The Financial Statements and the Combined Management Report, the long-form audit reports of the external auditors and the Board of Management’s profit distribution proposal were made available to all members of the Supervisory Board in a timely manner.

These documents were examined and discussed thoroughly by the Audit Committee at the meeting held on 5 March 2015. The Supervisory Board subsequently examined these documents at its meeting on 12 March 2015, after receiving the committee chairman’s report on the meeting of the Audit Committee. In both meetings, the Board of Management gave a detailed explanation of the financial reports it had prepared. Representatives of the external auditors attended both meetings, reported on significant findings and answered any additional questions raised by the members of the Supervisory Board. They also confirmed that the risk management system put in place by the Board of Management is capable of identifying any events or developments that might impair the going-concern status of the Company and that no material weaknesses in either the internal control system or the risk management system were found with regard to the financial reporting process. Similarly, they confirmed that they had not identified any facts in the course of their audit work that were inconsistent with the contents of the Declaration of Compliance issued jointly by the two boards.

Based on thorough examination by the Audit Committee and the full Supervisory Board, we concurred with the results of the external audit. In accordance with the conclusion reached after the examination by the Audit Committee and Supervisory Board, no objections were raised. The Group and Company Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the financial year 2014 prepared by the Board of Management were approved at the Supervisory Board meeting held on 12 March 2015. The separate financial statements have therefore been adopted.

The Supervisory Board also examined the proposal of the Board of Management to use the unappropriated profit to pay an increased dividend of €2.90 per share of common stock and €2.92 per share of non-voting preferred stock. We consider the proposal appropriate and therefore concur with it.

Expression of appreciation by the Supervisory Board We wish to express our appreciation to the members of the Board of Management and the entire workforce of the BMW Group worldwide for their concerted efforts and outstanding contribution to the record result we are able to post for the financial year 2014.

Munich, 12 March 2015

On behalf of the Supervisory Board

The image shows a handwritten signature in blue ink. The signature appears to be 'Joachim Milberg' written in a cursive style. There is a small mark above the first part of the signature that looks like 'yours'.

Joachim Milberg
Chairman of the Supervisory Board