



Media Information

18 March 2015

- Check against delivery -

Dr. Norbert Reithofer
Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2014
March 18, 2015

Good morning, Ladies and Gentlemen!

Our long-term decisions laid out in our Strategy Number ONE are paying off. In the period from the end of 2007 to the end of 2014: Our deliveries increased by over 40 percent; Group revenues rose by 44 percent; Our pre-tax profit more than doubled; And BMW common stock performed significantly better than the DAX.

This shows: The BMW Group has reached a new level of performance and this underlines our determination to drive innovation. We remain confident that mobility will remain a basic human need and that's why individual mobility remains our business model today and in the future.

Taking on our share of responsibility for society includes all of our employees around the world as well as our shareholders: They all expect the BMW Group to deliver a long-term increase in value, based on healthy and organic growth. The trust that we have earned is based on our being a successful company.

This is why we need to constantly challenge ourselves every day and continually ask the right questions and always find new answers: How can we maintain our company's future viability? We have proven many times in our history that we have the ability to break new ground – in technological, structural and cultural endeavours.



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The car next to me is just one example of our innovative strength: The new BMW X5 plug-in hybrid. The specs are impressive:

- 3.3 liters of fuel per 100 km.
- Energy consumption of 15.3 kWh.
- Emissions of 77 g CO₂/km.

This model benefits from the technology transfer from the BMW i family.

Our early commitment to sustainable mobility is paying off. Now, we are electrifying all our model series, step by step. Nonetheless, our entire industry continues to face great challenges ahead. There are, however, opportunities as well – for new business areas, new customer groups and further growth.

Ladies and Gentlemen,

I would like to touch upon four main points today:

- Our performance in 2014.
- Our new models and our targets for 2015.
- Our guidelines for future success.
- The BMW Group's centennial.

Let's start with: **Our performance in 2014.**

This was the fifth record year in a row for the BMW Group since the global economic crisis.

- Group earnings before tax increased significantly by 10.3 percent to 8.7 billion Euros.
- The net profit rose by 9.2 percent to over 5.8 billion Euros.
- The EBIT margin for the Automotive segment stood at 9.6 percent and thus at the upper end of our target range of 8 to 10 percent.



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2014 was the first year we delivered over two million vehicles. Group sales figures rose 7.9 percent to more than 2.1 million vehicles. This new record means that the BMW Group has held the lead in the global premium segment for over a decade now.

Let me give you an overview of the sales figures by brand:

- BMW: over 1,8 million vehicles.
- MINI: over 302,000 cars.
- Rolls-Royce: exactly 4,063 motor cars.
- BMW Motorrad: more than 123,000 motorcycles.

BMW, Rolls-Royce and BMW Motorrad all achieved new records. And MINI was almost on par with the previous year's level. As you know, the brand introduced the latest generation of its core model. Now, MINI is back on the up: In January and February 2015, MINI reached a new sales peak.

Our BMW i brand has an especially strong appeal. At the same event last year, I showed you the BMW i8. From June to December 2014, we delivered 1,741 BMW i8 vehicles to customers. Demand for the BMW i8 continues to outstrip production – even though we have already doubled our output. This clearly demonstrates the i8's perfect blend of sustainability and emotional appeal.

In its first year in the market, our BMW i3 already ranks third among all pure electric cars sold worldwide. Four out of five BMW i3 buyers are new customers for BMW. Today, BMW i is present in 32 countries. All in all, we delivered around 17,800 BMW i vehicles to customers in 2014. The number of electric vehicles on the road is still low, especially here in Germany.



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We can see a clear connection between sales figures and political initiatives: Wherever governments offer tangible incentives for e-mobility, the registration figures for the BMW i3 soar.

- In the U.S., we sold about 6,000 BMW i3s in 2014. Almost half of them went to customers in California.
- In Norway, we sold about 2,000 i3s. That is a 22 percent share of all BMW vehicles sold in Norway in 2014.

Now let's look at our home market Germany, where around 2,100 customers decided to purchase a i3. But that's less than one percent of our total BMW sales in this country.

What these figures clearly show is that a constructive political framework truly makes a difference in a market. The German car manufactures have delivered their part of the bargain. The ball is now in the court of policy-makers, especially here in Germany. The new Electric Mobility Act is a step in the right direction. But beyond that, we need a serious debate about the right tools to ensure Germany picks up the pace when it comes to electric mobility.

Other countries are already way ahead:

- In China, the BMW i3 is not subject to the restrictive procedure limiting licence plates in Shanghai – which reduces the cost by over 10,000 euros.
- In California, electric cars can use the Carpool Lanes on highways and they also get attractive financial incentives.
- Norway has a well-established charging infrastructure. Electric cars charge and park for free. There's also no VAT or registration tax for such vehicles.



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The BMW Group strongly supports the building of a charging infrastructure in China, the EU and the U.S. – for private customers as well in the public domain.

We are fostering synergies between e-mobility and car sharing. The BMW i3 is about to join our DriveNow fleet.

- In London in spring.
- In San Francisco from May, where it will replace the successful BMW ActiveE vehicles.
- In Hamburg, Berlin and Munich from July.

This is one way to improve the acceptance of electric cars and gain access to younger generations. Intelligent mobility services have been a central part of our strategy from the very beginning. In Germany, DriveNow is already profitable. And the number of users continues to grow: At the end of 2014, DriveNow had about 390,000 registered customers; in early March, there were 420,000 members. New cities are joining the program: Last year, we added London and Vienna. We are now expanding DriveNow further – adding ten cities in North America and up to 15 more cities in Europe.

We hold strong in our belief that the future of mobility has to be sustainable. The increasing political regulation on climate protection as well as continuing urbanization and all its consequences are proof of this. The following key technologies are part of our road map to meet the increasing challenges of regulation: Efficient Dynamics, hybridization and electric mobility.

At present, our European fleet average for emissions stands at 130 grams of CO₂ per kilometer. We are now applying our expertise and the experiences gained with BMW i to our conventional models. The new BMW 7 Series, for



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example, will set new standards when it comes to intelligent lightweight construction.

Besides our technological advancement, our strategic market position is another success factor. Once again, we recorded balanced growth in the largest world regions in 2014: Europe accounted for about 43 percent of our sales volume, Asia for 31 percent, and the Americas for close to 23 percent.

- Europe is still our most important sales region.
- In 2014, China was our largest individual market. However, we have long said that the Chinese market will slow to a more normal pace. Just last week, the Chinese Government also made it clear, this is the new normal. Slower economic growth will also affect the automotive industry. We continue to consider this in our strategic planning.
- We also achieved solid growth on the American continent last year. Strategically, the U.S. remains a key market – it is our second home.

Profitable growth continues to be the aim of our company. This is why we invest in our people and their vocational training. In September 2014, more than 1,500 apprentices began their professional careers with the BMW Group, 1,200 of them in Germany. All in all, the BMW Group is currently training 4,595 young people – that's 150 more than the previous year.

For over 40 years, our employees have participated in the company's success. For 2014, all permanent staff in Germany will once again receive a profit-related bonus.

Technological change is omnipresent. To keep our workforce up to date, we invested 335 million Euros in vocational training and professional development programs last year. This is a new record. We spend about the same amount of money on training every year as one of the larger German universities. Since 2007, we have invested over 1.8 billion Euros in training our staff. Providing our



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people with opportunities for growth is how we ensure our future as an attractive employer.

We are listed in many rankings as best employer, including recent studies carried out by the XING career network and by the research institute trendence.

Now let me move on to my second point:

Our new models and our targets in 2015.

In total, we are launching 15 new models and model updates of BMW and MINI brand vehicles this year. In addition to this, we are also launching five new BMW motorcycles.

The BMW 2 Series Gran Tourer celebrated its world premiere at the Geneva Motor Show. It is the first highly-functional BMW with up to seven seats. In the smaller vehicle class, this type of car shows the highest growth rates. The 2 Series Gran Tourer is the first premium offering in this segment. Just like the BMW 2 Series Active Tourer, we want to conquer new customers for BMW, especially in Europe. The 2 Series Gran Tourer will be the first model in its segment available with optional all-wheel drive. This model is due to be launched in June.

The new BMW 2 Series Convertible has been available since the end of February.

On the occasion of its tenth anniversary, we completely revised the BMW 1 Series. Part of this model range is also BMW's new CO₂-champion: The 116d ED needs just 3.4 liters of fuel per 100 km and emits only 89 grams of CO₂ per km. Its three-cylinder engine was previously introduced in the BMW 2 Series Active Tourer. The new BMW 1 Series will arrive at dealerships in late March.



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We have sold more than 86,000 units of the current-generation BMW 6 Series in the last four years. Now we have updated the Convertible, Coupé, Gran Coupé and the respective M models. Our BMW M vehicles are more popular than ever: More than 45,000 customers bought an M or M Performance vehicle in 2014. That's a new record for M. The new BMW X5 M and the new BMW X6 M will go on sale in spring.

By the way, the safety car in the premier league of motorcycle racing – the MotoGP – is a BMW M model as well. As a world first, the new BMW M4 Safety Car utilizes our innovative water injection technology. It provides a significant increase in performance while reducing fuel consumption and emissions. The benefits of our water injection technology will soon be available to our BMW M customers as well.

This year, our MINI brand will have an exceptionally young portfolio. Last year, we launched the new MINI three door model and 55 years after the first Mini ever, we put the first MINI with five doors on the road. In 2015, we will present the new MINI Clubman. The concept car shows pretty much where MINI is headed. Since then, the Management Board has decided that: MINI will be concentrating in the future on five models – each with its own strong character. And MINI will offer electrified solutions as well.

Since 2003, Rolls-Royce has established an impressive track record in the ultra-luxury segment. The Phantom is often imitated, never duplicated. The Ghost has tapped new target groups for the brand. And the Wraith combines the pinnacle of automotive luxury with the pleasure of actually being in the driver's seat. In the future, we are going to offer a Rolls-Royce that provides maximum luxury and ease – both off and on-road.



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According to experts, the global car markets are likely to continue their growth trend this year. With our attractive model range, we are well positioned to capitalize on this trend.

Our targets for the business year 2015 are as follows:

- We aim to achieve solid growth in both sales and earnings before tax on Group level.
- We intend to remain the world's leading premium car company.
- And we strive to remain in our target range of 8 to 10 percent for the EBIT margin in the Automotive segment.

As always, our forecasts assume the economic conditions worldwide remain stable and won't deteriorate. However, many uncertainties remain. Important markets like China are losing momentum. The BRIKT markets are developing unevenly. Moreover, there are also political uncertainties and flash points around the world. In simple terms: Volatility is the new constant in today's business world.

In the first two months of this year, the BMW Group delivered 7.3 percent more cars to customers than during the same period in 2014. That's a new record. We have improved in all sales regions worldwide.

Moving on now to my third point:

Our blueprint for future success has always been: take the long view.

In doing so, it's crucial to find the right balance between participating in the growth of the global premium market while maintaining the terrific desirability of our premium brands with our customers.



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To achieve this, let me touch on three points in particular:

1. Our global production network.
2. Sustainable value creation.
3. Digitalization and connected services.

We are strategically expanding our global production network:

- In Brazil, the first car rolled off the assembly line at our new plant in Araquari last October.
- In Mexico, we are building a new production site, due to go on stream in 2019. Production output is planned to be up to 150,000 cars.
- In China, we are strengthening our local production at Shenyang. In the future, we are going to produce locally six BMW models specifically for the Chinese market. We have extended our joint venture with Brilliance ahead of time until 2028.
- In the USA, we announced a capacity expansion to 450,000 cars annually at our Spartanburg plant's 20th anniversary celebration. This expansion equals an entire new plant. The U.S. is open to innovation. For this reason, people and robots have been working side by side on the Spartanburg line since last year. This relieves workers of particularly straining physical tasks, protecting their health in the long term.
- In Germany, we are also investing further in our facilities. By 2018, we are expanding our Research and Innovation Center, FIZ, in Munich. The German automotive industry is a driver of innovation, not only in research and development but also in production. It strengthens Europe's position on the global stage.

My second point: As I see it, being a good corporate citizen means that: How you produce is just as important as what you produce. Since 2006, we have reduced



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resource consumption and emissions per unit produced by 45 percent on average. In 2014, we reached an important milestone: As a first, we procured more than half of the energy we needed for production from renewable sources.

Onto my third point: Digitalization and connected services for our customers.

Digitalization is a major differentiator and growth driver, particularly for premium manufacturers. For the BMW Group Connectivity is a given in our customers' everyday life. They expect our vehicles to provide them with full access to the digital world around them. With Connected Drive, we have been offering connectivity services for almost two decades now.

Let me give you just three examples:

1. The maps for our navigation systems are automatically updated 'over the air' via a permanently installed SIM card.
2. With our ParkNow app, drivers can simply book and pay for parking spots from their car. The app can be downloaded directly to the car from the new Connected Drive Store, which is already up and running in Germany, Belgium and Luxembourg. In further countries like the U.S., the Connected Drive Store is going to launch this spring.
3. Intelligent in-vehicle gesture recognition is going to complement the operation of the iDrive system in the future. The new feature will allow the driver to accept or decline calls via hand signals.

What can the customer expect from the BMW Group when it comes to connectivity? Even greater comfort; State-of-the-art connective technology to the world beyond the vehicle; And more importantly: increased safety for driver and passengers.



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Without a doubt, no matter what we do, “Freude am Fahren” will remain an absolute must. However, in our vehicles it will always be the driver’s choice to decide when to steer and when to hand over to technology. No matter what option they choose, the customer can be sure of always having the ultimate driving machine to enjoy.

With ‘Vision Zero’, we are gradually implementing entirely collision-free driving. We recently presented our new 360-degree collision prevention system in a BMW i3 at the CES in Las Vegas. The system can reliably identify obstacles and apply the brake in order to prevent accidents.

Even today, we offer many driver assistance systems, such as traffic jam assistant and active speed control. Our future models will be able to drive themselves in certain situations – such as in parking garages. If desired, the car finds its own parking spot without the driver being involved. We have shown this system with the BMW i3. Upon returning to the garage, drivers can summon their car using a smart watch.

Technologically speaking, a lot is already feasible when it comes to highly automated driving. However, as far as legislation is concerned, we are moving into uncharted waters.

The debate on the regulatory framework has only just begun – in Brussels as much as in Berlin, Washington, Beijing or Tokyo. It raises many fundamental questions that need to be clarified:

- Who carries responsibility for what: driver, manufacturer, insurance company, service provider?
- Which data enters and leaves the car and under which conditions?



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Our position at the BMW Group is clear on this subject:

- We want to make life easier for the driver at all times.
- We want to improve people's safety.
- And most of all we want to protect their privacy.

These are the conditions under which we are developing individual mobility further – responsibly and to the benefit of our customers.

Today, the BMW Group is 99 years old. This achievement is built on many factors: Our ability to create incredible brands and fascinating cars for our customers as well as our passion for innovation and commitment to taking a long-term view. On March 7, 2016, we will celebrate our centennial.

This brings me to my last point:

The BMW Group turns 100.

Each era must face its own challenges and each era requires its own new and innovative solutions. We have laid a solid foundation for the coming era:

- We will continue to chart our future course as we believe it should be: with confidence and determination. It is only by continually challenging ourselves that we can create our own future.
- We have a solid financial footing, which is crucial to support future-oriented investment activities and innovations.
- Our premium brands are globally recognized and highly appealing to customers. Just recently, Fortune Magazine once again ranked the BMW Group as the only European company in its top 15 list of the world's 500 most admired companies.



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- And last but not least, every one of us at the BMW Group is driven by our passion to take premium mobility to the next level.

As for myself, it has been a great honour and in many ways a privilege for me to be at the head of this passionate team for the last 8 ½ years. Having said that, the team I'm leaving knows very well just how much there is to do in the years to come.

New trends and challenges will present new opportunities and possibilities for everyone on board. This is why the decision was taken to make a change within the Management Board before our company's centennial. As you all know, my colleague on the Management Board, Harald Krüger, will succeed me as Chairman of the Management Board following the AGM on May 13.

The future belongs to the next generation. It is for them to shape the company's further development according to their vision. This is my last Annual Accounts Press Conference. I would like to thank my colleagues on the Management Board for everything we have accomplished together.

And I would also like to thank you, ladies and gentlemen, as the representatives of the media community.

I am convinced that:

- This company, with all its drive and incredible spirit, will remain dynamic.
- This company will definitely be spearheading the future of individual mobility.
- This company will continue to be a responsible business partner, wherever we operate around the world.

Thank you very much!