



Media Information

18 March 2015

- Check against delivery -

**Dr. Friedrich Eichiner**  
**Member of the Board of Management of BMW AG, Finance**  
**Annual Accounts Press Conference for the Business Year 2014**  
**March 18, 2015**

Good morning, Ladies and Gentlemen!

A warm welcome from my side as well.

Innovation, flexibility and continuity – these are the key factors to our success.

Our approach has always been to drive innovation forward, and adapt flexibly to volatile conditions: Our long-term strategic targets keep us on track.

The BMW Group achieved its earnings and profitability targets last year.

The Automotive segment achieved an EBIT margin of 9.6%, which was at the upper end of our target range of 8-10%.

At Group level, the EBT margin increased to 10.8%.

The company remained on course despite economic and political challenges – especially in the second half of the year.

BMW Group revenues reached a new all-time high in 2014 and exceeded € 80 billion for the first time. This increase of 5.7% over the previous year was generated by all operating segments. Revenues were primarily sales-driven. Adjusted for currency translation effects, revenues increased by 6.8%.

Group earnings before tax reached € 8.71 billion and were therefore significantly higher than the previous year, in line with our guidance – with an increase of



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10.3% year-on-year.

In the final quarter of 2014, the BMW Group reported its highest-ever fourth-quarter retail sales, with significant gains over the previous year. Higher volumes and currency tailwinds resulted in a significant increase in revenues to € 22.66 billion.

As expected, various product and technology projects led to higher fourth-quarter costs. Expenses for sales and marketing activities and expansion of IT infrastructure also increased. Group pre-tax earnings therefore remained on par with the previous quarter at € 1.87 billion.

For the final quarter of 2014, the Automotive segment reported an EBIT margin of 8.2% – which remains within our target range of 8-10%, despite the high level of expenditure.

Securing the future of the company is extremely important to us – which brings me to our research and development activities and capital expenditure for last year.

The BMW Group reported capital expenditure of € 6.10 billion for property, plant and equipment and intangible assets – primarily in the Automotive segment.

The main focus was on structural investment in plants and product investment in new models, such as the future 7 Series Sedan, the 2 Series Active Tourer and the upcoming 2 Series Gran Tourer. The MINI core model was newly launched as a 3- and 5-door model.

Through expansion of its model line-up and production capacity worldwide, the BMW Group is paving the way for further sales growth.



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We expand our global production network with investments in the Americas, Asia and Europe. In 2014, we continued to expand our American plant in Spartanburg, South Carolina, where we intend to increase capacity to 450,000 units by 2016.

At the same time, we continue to expand our production footprint with plants in Brazil and Mexico.

The expansion of our production structures in China is also proceeding well. Last year, structural investment mostly benefitted the new engine plant being built by our joint venture, BMW Brilliance Automotive. The plant will be ready for our extended model line-up in 2016, as previously announced.

Last year, we announced an early contract extension for our successful joint venture in China, together with our decision to build three additional, locally-produced vehicles. In Germany, investment focused on our Dingolfing and Leipzig plants.

The capex ratio for 2014 stands at 7.6% - which is clearly lower than the 8.8% of the previous year. This year, the ratio should continue to move closer to our target of below 7% of revenue.

The BMW Group continued to renew its line-up in 2014, with no fewer than 16 new models and life-cycle impulses launched last year. As the largest premium manufacturer, the company drives technological innovation forward. Research and development remained focused on innovative drive concepts, lightweight design and connectivity between the vehicle and its surroundings.

In 2014, the BMW Group rolled out the new Efficient Dynamics engine generation, further reducing new vehicle fleet emissions. The modular engine system comprises highly-efficient three, four and six-cylinder drive trains with



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lower weight and turbo technology to ensure driving pleasure and dynamic driving performance. Commonalities within the ultra-efficient engine family enable economies of scale and a high level of flexibility.

Plug-in hybrid technology, combining both combustion engine and electric motor, was implemented in a series-produced vehicle for the first time in 2014 in the BMW i8. Additional models will be fitted with the innovative eDrive system this year.

Our model line-up has undergone a significant expansion: In 2014, the 2 Series Active Tourer introduced front-wheel-drive architecture in a series-produced BMW vehicle. Like our X models, these new compact models are geared towards new customer target groups – which includes many for whom the BMW brand had not yet the right offer.

The new rear-wheel-drive architecture is virtually ready for series production and will be implemented in our future models.

Developments in the area of connectivity and driver assistance systems – all the way to highly-automated driving – expanded our innovation portfolio in 2014.

The BMW Group once again pioneered new technology: for example, by testing the first highly-automated driving prototype under high-performance conditions last year. The test car proved on the racetrack that it could drive to the limit even without a driver.

The company's total research and development expenditure for 2014 totalled almost € 4.57 billion. This is 4.7% lower than the previous year, as planned, but still at a high level.

This total included investment in capitalised development costs of nearly € 1.5 billion. At 32.8%, the ratio of capitalised development costs was lower than



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the previous year.

The R&D ratio of 5.7% was also lower than the previous year's figure of 6.3% and just outside our target range of 5-5.5%. The company plans to maintain this ratio at the same level again this year.

We also want our shareholders to have an appropriate share in the success of BMW AG. At this year's Annual General Meeting, the Board of Management and Supervisory Board will propose a dividend of € 2.90 per share of common stock and € 2.92 per share of preferred stock for the 2014 financial year. In each case, this represents an increase of 30 cents over the previous year. This is the highest dividend the company has ever paid.

The resulting dividend payment totals € 1.90 billion. Nearly 33.0% of our net profit for the year will be paid out to shareholders. The pay-out ratio is therefore within our target range of 30-40%.

I would now like to talk about earnings performance in the segments – first, the Automotive segment.

With almost 2.12 million deliveries, the BMW Group sold more than two million vehicles for the first time last year – and met its strategic sales target for 2016 early. Thanks to its attractive line-up, the company has been able to share in the global automotive market growth.

The Automotive segment benefitted from solid sales gains of almost 8%. Higher BMW and Rolls-Royce vehicle sales improved the vehicle mix last year and contributed to higher profitability. Due to the MINI model change brand sales remained nearly on par with the previous year.

Automotive segment revenues for 2014 totalled € 75.17 billion. This represents



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a solid increase of 6.4% over the previous year.

EBIT for the Automotive segment climbed 8.9% year-on-year to reach € 7.24 billion. The EBIT margin of 9.6% remains at the upper end of our target range of 8-10% and higher than the previous year.

The 2013 to 2014 EBIT walk shows an additional € 1.67 billion in earnings from higher volumes and positive mix and market effects. The balance from currency effects and changes in raw material prices dampened earnings slightly – due to depreciation of the rouble, for example, and other non-core currencies.

Higher depreciation had a negative effect of € 423 million on EBIT. Higher capital expenditure after commissioning of new equipment and production ramp-ups for new models increased depreciation year-on-year.

Under the item “Other changes”, with a balance of negative € 663 million, positive efficiency gains in the several hundred-million euro range were offset against additional expenditure – in particular, personnel and marketing costs.

The focus on future projects and global capacity expansion generated higher personnel costs. New employees were hired at the Spartanburg and Leipzig plants, for example, as well as for the new plant in Brazil. The company also recruited experts for expansion of new technology areas. At the end of 2014, the BMW Group employed a total workforce of 116,324.

Let’s take a look at the cash flow statement: Free cash flow in the Automotive segment totalled € 3.48 billion in 2014. Free cash flow for 2014 was € 478 million higher than the figure for 2013.

We will be able to pay this year’s dividend from our free cash flow – which testifies to our company’s financial and operating strength.



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We aim to generate a strong free cash flow once again in 2015. A decreasing capex ratio and continued sales growth should support this goal. We are maintaining our target of more than € 3 billion.

The BMW Group's liquidity position remained extremely strong in 2014. At the end of the year, Group liquidity totalled € 11.66 billion. The company has excellent credit ratings and good access to capital markets. This assures the BMW Group the financial flexibility it needs for its operating business and growth – even in a volatile environment.

Let's move on to the Financial Services segment. BMW Group Financial Services overcame growing competition to reach new heights in 2014. New business with retail customers increased 2.6% to almost 1.51 million contracts.

The volume of new business – the total volume of all new financing and leasing contracts – climbed 5.3% to almost € 41.32 billion.

At the end of 2014, BMW Group Financial Services managed a total portfolio of 4.36 million contracts with retail customers and dealers.

Compared with the previous year, the number of new vehicles leased or financed by Financial Services decreased by 2.3 percentage points. At the end of the year, the penetration rate stood at 41.7%. This reflects deliberate management of business in a highly competitive environment.

As in the previous year, the Asia/Pacific region was the main growth driver, with a 20.1% increase in the local contract portfolio. In the Europe/Middle East/Africa region, the segment posted growth of 6.5%; while business in the Americas increased by 4.0%. Financial Services now has operations in more than 50 countries worldwide.



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The segment's business areas performed well in the year under review. Our fleet services provider Alphabet increased its fleet portfolio to more than 555,000 contracts. In the area of multi-brand financing, the contract portfolio grew by 3.0% to almost 466,000 units. Insurance business also saw significant growth – with more than 2.87 million insurance policies in place at the end of the year.

The segment reported pre-tax earnings of € 1.72 billion in 2014 – an increase of 6.4% over the figure for the previous year.

Financial Services earned a return on equity of 19.4% in 2014, meeting our RoE target of at least 18%. Our balance sheet equity ratio stood at 8.8% at the end of the financial year, maintaining Financial Services' solid capital equity position and providing adequate coverage for unexpected risks.

The segment's risk situation continued its stable, positive development in 2014. Mirroring economic developments, used car prices for off-lease vehicles were robust. In the main leasing markets of the US, the UK and Germany, average residual value losses were largely unchanged from the previous year and therefore lower than expected.

The net credit loss ratio for our credit portfolio remained at the same comparatively low level as in 2013.

Financial Services makes comprehensive risk provisions to hedge business-related risks. Global risk management based on tested, uniform methods is a key element of our risk prevention strategy and will be further expanded worldwide.

From today's perspective, the BMW Group looks to be in a good position to deal with business risks in 2015. We expect the risk environment to remain largely stable, but cannot rule out the possibility that cyclical fluctuations of the economy will affect our Financial Services business.





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Let's take a look at our Motorcycles segment. 2014 was a very successful year for BMW Motorrad. The brand outperformed the overall market once again and benefitted from the positive market environment.

With almost 123,500 deliveries, BMW Motorrad reported solid sales growth of 7.2%, with gains in its key markets. The brand also increased volumes in Europe, which is the largest region, accounting for 60% of total sales.

Germany remained the brand's largest single market with around one fifth of deliveries. BMW Motorrad was once again segment leader in this market. BMW Motorrad also made significant gains in its second-largest market, the United States. Motorcycle production in Brazil and Thailand also made a successful contribution to globalisation of sales.

The top-selling motorcycle was once again the large long-distance enduro, the R 1200 GS, which, together with its sister model, the R 1200 GS Adventure, was delivered to more than 40,600 customers.

Our anniversary roadster, the R nineT, made a successful start and marks the brand's entry into the "New Heritage" segment. The R nineT is the first BMW Motorrad available in different versions with many customisable elements. In this way, we are reaching out to new customer groups not previously accessible to BMW Motorrad. In its first year, the R nineT instantly became the brand's third most popular model. In our 'Views 2014 yearbook' accompanying the annual report you will visit one of the world's famous customizers at work with the R nineT.

The Motorcycles segment exceeded the previous year's record revenues and EBIT. Revenues for the year climbed to almost € 1.68 billion, a significant increase of 11.6% year-on-year. Adjusted for currency effects, segment revenues rose by 14.0%.



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In 2014, BMW Motorrad achieved an EBIT of € 112 million – an increase of 41.8% over the previous year, mainly due to higher sales volumes.

BMW Motorrad will release five new models in 2015. The new 2015 BMW S 1000 RR has been substantially revised. It boasts 4 kg less weight, higher engine performance and is even more user-friendly. BMW Motorrad is also launching two new Boxer models: the BMW R 1200 R and the R 1200 RS. The second-generation BMW F 800 R makes quite a statement in the mid-range segment. Within its family of high-performance sporty motorcycles with inline four-cylinder engines, BMW Motorrad presents the new S 1000 XR. Under the motto “Adventure Sport”, this model combines the qualities of BMW Motorrad GS, touring and sports models for a totally new motorcycle experience. Entry into this new segment is part of BMW Motorrad’s strategic realignment. We will continue to expand the brand over the coming years.

BMW Motorrad made a very successful start to 2015: The brand delivered almost 14,500 motorcycles in the year to the end of February – an increase of 14.2% over the same period of last year. Over the full year, we anticipate a slight recovery in the global motorcycle markets, with continued positive development in Europe and the United States. We therefore expect BMW Motorrad to sustain its successful business performance.

As I already mentioned, pre-tax earnings were higher than the previous year in all operating segments. Let’s finish with a look at Eliminations: Pre-tax earnings under this item improved year-on-year to negative € 163 million. Inter-segment business, mainly between the Automotive and Financial Services segments are eliminated under this item. This improvement is due to positive effects related to the leasing portfolio and changes in the leasing mix.

The BMW Group expects to see positive business development again this year. The company will benefit from its balanced global presence and will strive to remain the world’s leading premium manufacturer. Our young and attractive



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portfolio will enable the company to profit from market growth. We are targeting sales growth in the three main economic regions.

Economic analysts forecast moderate growth for the global economy in 2015, with global recovery set to continue. The euro zone will experience slight growth, while the upswing in the US will remain dynamic. China is likely to see economic growth of around 7%. A weaker upturn could affect our business development.

The major currencies are also expected to fluctuate over the course of the year. The BMW Group consistently hedges its main currencies to create planning security, minimise risks and benefit from attractive exchange rates.

If there is no significant change in conditions, the BMW Group expects to post a solid increase in pre-tax earnings compared with the previous year.

We aim to achieve this ambitious goal despite the rising personnel costs necessitated by the company's growth and expenses for drive technologies and innovations. Earnings development could also be at risk from intense competition in the automotive markets and increasing global volatility. Assuming conditions remain stable, we expect to see a solid increase in vehicle deliveries compared with the previous year. In North America, from today's perspective, we anticipate positive development in the premium segment. We also see medium and long-term growth potential for China. Normalisation of the Chinese market will continue this year, spurred by political regulation and accompanied by increased competition. The slight recovery trend in the European markets should continue.

Our current guidance is based on these expectations. Should these assumptions not be fulfilled our guidance could change.

Automotive segment revenues are expected to post a solid year-on-year increase.



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We are still aiming for an EBIT margin within our target range of 8-10% for the Automotive segment. This remains the benchmark for our profitability, despite higher depreciation and a larger proportion of smaller vehicles. However, depending on political and economic conditions, actual margins could be either below or above the targeted range.

In the Financial Services segment, we are once again targeting a return on equity of at least 18% for 2015. The figure is expected to be in line with the previous year, despite continuing capital expenditure for global growth and IT structure.

From today's perspective, it appears that the segment has made adequate provisions for the risks associated with financial services business.

BMW Motorrad is expected to continue its positive business performance in 2015. New models will provide the momentum for a solid increase in sales. BMW Motorrad should benefit from the positive market environment.

The guidance assumes that political and economic conditions remain mostly stable. Despite global uncertainties and risks, the BMW Group expects to achieve profitable growth again this year. Our attractive models and mobility services will contribute to our performance.

The BMW Group remains committed to its long-term growth strategy. We will continue to leverage our financial strength to expand our activities and enhance our competitiveness through constant innovation.

We also chart our course and are gearing the company towards a successful future.

Thank you.