

Media Information
March 21, 2017

- Check against delivery -

Harald Krüger

Chairman of the Board of Management of BMW AG

Annual Accounts Press Conference for the Business Year 2016

Auditorium BMW Welt, 21 March 2017, 10 a.m. - 12 p.m. CET

Ladies and Gentlemen, Good morning and welcome!

These will be our main topics today:

1. First, from me, a brief introduction: What is important to me? Where are we steering the BMW Group?
2. Then, Nicolas Peter will talk about our 2016 financial statements and the outlook for 2017.
3. After that, I will outline the decisions we have made as part of Strategy NUMBER ONE > NEXT.
4. And, I will talk about the first new products from our model offensive.

First, a few general remarks:

Right now, everyone is talking about plug-in hybrids. Here, the BMW brand is clearly number one in the premium segment. And our BMW i3 is one of the top three best-selling pure electric cars worldwide. This shows we are in a strong position. And we continue to drive ahead: In 2017, we aim to sell 100,000 electrified vehicles, and by 2025, electric models and plug-in hybrids are expected to account for around 15 to 25 per cent of our sales. This means the electrification of all BMW Group brands and model series. Our goal is sustainable mobility. We are absolutely clear on this.

Everything we do is for our customers. We want them to experience premium mobility in both an individual and emotional way. With our services, we are available whenever and wherever the customer needs us. For this, we will

Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

2

embrace the opportunities offered by digitalisation. With Strategy NUMBER ONE > NEXT, we have taken clear decisions: The cooperation with Intel and Mobileye, our campus for autonomous driving, our automated test fleet for urban environments.

The BMW Group has a strong financial footing. We have the best credit rating of any European car company and the second best worldwide. My colleagues on the Board and I will do everything we can to strengthen even further our financial standing and reputation on the capital markets.

For the past seven years, the EBIT margin of our Automotive Segment has been within our target range of 8 to 10 per cent or higher. We intend to maintain this level – while continuing to invest in our future. Profitability secures our ability to take action and makes us a reliable partner within society.

Strategy NUMBER ONE > NEXT combines profitability, operational excellence and fresh thinking. We are merging two business models: Our established core business, on the one hand, and a start-up mentality with new business segments on the other.

To change we need to change our mindset. We have started a transformation unlike anything our company has seen before, with Strategy Camps for senior managers, where they met up with start-ups and technology drivers at global hotspots. And, we created an interactive platform called NEXT EXPERIENCE, in which more than 14,000 employees at all management levels have participated since the beginning of the year. This includes line managers from the plants. They have been learning about all aspects of our strategy and will share these insights with all other employees.

The feedback from these events has been very clear: Our employees understand that we have to change. And they are fully committed to our vision

Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

3

and our new corporate values: responsibility, trust, appreciation, transparency, openness. These provide a basis for our transformation. They reflect the spirit of our times and the younger generation's understanding of working together.

2016 was our centenary year. We ended the year with new record highs – for sales volumes, revenues and profit before tax.

Our EBIT margin in the Automotive Segment remains within our target range of 8 to 10 per cent. Our segment Financial Services and BMW Motorrad also contributed to the positive overall result. We achieved our targets. The BMW Group remains the world's leading car manufacturer in the premium segment.

We have always been an ambitious company. I promise we will continue to be so:

- First: We are now going on the offensive.
- Second: We are launching the biggest model offensive ever for our customers.
- Third: Future competitiveness is reflected in a combination of several performance indicators: not just sales figures, but also profitability, capacity to innovate, flexibility and attractiveness as an employer.

I would now like to hand over to Nicolas Peter, who will present our 2016 financial performance.

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Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

4

Ladies and Gentlemen,

We aim to continue our successful course in 2017. We are targeting new all-time highs for sales, revenues and profit before tax. The EBIT margin in the Automotive Segment should remain within the range of 8 to 10 per cent. We are assuming that political and economic conditions do not change significantly.

For us, 2017 marks the beginning of a new era: We are transforming ourselves into a technology company for premium mobility and premium services. And we aim to lead the way. Our vision vehicles are a symbol of our focus on the future. Here's a short film about them.

Ladies and Gentlemen,

Our vision vehicles clearly demonstrate the design language of our future series models. All areas of future mobility have been integrated: The so-called ACES are a core element of our strategy – and in part, already in our series vehicles:

- **Autonomous driving:** The assistance systems in the BMW 7 Series and the new 5 Series pave the way for highly-automated driving.
- **Connectivity:** With Connected Drive, the BMW Group leads in digital offerings. We already have more than 8.5 million connected cars on the roads.
- **Electrified:** We have sold more than 120,000 electrified cars to date.
- **Services and shared:** With the Now Family, we offer our customers a comprehensive range of services.

Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

5

Let's move on to our next main topic: **What decisions have we made as part of Strategy NUMBER ONE > NEXT?**

Our business environment is marked by volatility, unexpected developments and political uncertainty. However, we continue to benefit from our balanced distribution of sales and production across the main regions of the world. This balance is a stabilising factor in our business development. Our roots are in Germany.

Moreover, we are at home in Europe, China and the US. Our sales figures for 2016 reflect this balance. Europe, China and the US also form the nucleus of our global production network.

In our home country, Germany, we have invested an average of more than one billion euros per year in our plants over the past ten years. The UK remains an important location for us. Much will depend on how Brexit is ultimately negotiated. At the BMW Group, we are preparing for different scenarios. Our production network offers us flexibility. MINI models are also built at VDL Nedcar in Born in the Netherlands.

Now China: Our new engine plant – the fourth worldwide – began operations in 2016. Our two auto plants in Tiexi and Dadong already produce five models.

The US is home to our plant with the highest production volume. We have invested almost eight billion dollars in this site. Spartanburg produces vehicles for the entire world: 70 per cent of them are for export. This makes the BMW Group the largest exporter of cars from the US. Directly and indirectly, we employ around 70,000 people in the US.

All other sites worldwide provide us with additional flexibility, depending on demand. In total, our network comprises 31 locations in 14 countries. We have

Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

6

an even balance of production between Germany and the rest of the world. All locations are preparing for electrification of their models and series.

This capability is part of our Strategy NUMBER ONE > NEXT. This strategy has been designed for adaptability, serving as both a vision and a dynamic roadmap that evolves as we progress. What does our priority list look like? Top priority is currently electrification. Next is connectivity and autonomous driving. As part of this digital shift we are expanding our services. We are expanding our know-how in selected areas through strategic cooperation with partners from our own industry and technology leaders from other sectors.

I would like to say a few words about this: First: sustainable mobility.

Since 1995, we have reduced the average CO₂ emissions of our European fleet by more than 40 per cent. For us, the plug-in hybrid has been a success story: The X5 was the top-selling plug-in hybrid in 2016. By the end of 2016, we had six plug-in hybrid models on the global market, plus one model for China. The new BMW 5 Series has also been available as a plug-in hybrid version since March. This summer, it will be followed by the first MINI plug-in hybrid, the Countryman. In 2018, we will welcome a new member of the BMW i family: the BMW i8 Roadster.

Demand for pure battery electric cars is also growing. We see this in the BMW i3 with its new battery providing 94 ampere hours. BMW Motorrad already has an all-electric model, the C evolution. Its range has also been increased significantly.

In 2016, electrified vehicles accounted for around 2.6 per cent of our Group sales. But in certain EU countries, electrified cars already make up over 20 per cent of our sales. In 2017, we aim to sell 100,000 electrified cars. Already in January and February 2017, we sold more than twice as many e-cars

Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

7

worldwide as in the same period last year. February sales of the i3 were 55 per cent higher than last year.

With our Strategy, we have decided that: The fully electric drivetrain will be integrated into our core brands, with: an all-electric MINI in 2019, and an all-electric BMW X3 in 2020. Soon, range will no longer be a differentiating factor. We are already concentrating on achieving an optimum balance between all relevant features: safety, range, and duration and life of the battery. We believe that our customers will benefit the most from this approach. We are keeping expertise in electric drivetrains, power electronics and battery cells within the company. We have more in-house value creation in electro-mobility than any of our competitors. This also brings cost benefits.

At the same time, we are also working on fuel cells. These are particularly well-suited to larger model series and long distances. We plan to produce a low volume series in 2021, and we will be able to offer vehicles with fuel cells from 2025.

Also by 2025, all our vehicles with combustion engines will be fitted with 12 and 48-volt energy recovery systems.

The drivetrain mix will ultimately be decided by the customer. We are starting out on the basis of two trends:

1. Demand for e-mobility will increase significantly over the coming decade.
2. In some markets, in particular, development will be strongly driven by regulations.

That is why we are stating a range of 15 to 25 per cent in our estimates of the share of electrified cars in 2025. In this context, we are refining our vehicle architectures. They are already designed so that we can build cars with a

Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

8

combustion engine and plug-in hybrids on the same architecture for every model series. That is a result of our project i. From 2020, project i 2.0 will enable us to introduce a pure battery-electric model for our model series. To achieve this, we are now gearing our architectures towards combustion engines and pure battery-electric drivetrains. We are not only able to assemble and paint cars with both drivetrains on the same line; we also only need one car body construction to produce models with a combustion engine or electric drivetrain. The benefits of this are obvious: Maximum flexibility for planning and production, regardless of how e-mobility develops in a segment or market.

That brings me to the second of our priorities: Digitalisation and connectivity.

The iNEXT is the next innovation spearhead for our company. As with project i, BMW i will once again be a key element within our strategy. The iNEXT project will develop modular kits for our electrification offensive across all brands and segments. Digitalisation will open up totally new possibilities for customers. The car will become a living space which is fully integrated into the customer's life and learns from its driver. At the CES in Las Vegas, we provided a glimpse of the operating system and interior of the future.

We want to make fast progress in autonomous driving. As part of our strategy, we have made the following two decisions:

1. We will be concentrating all our expertise in this area at our new Research and Development Centre for Autonomous Driving near Munich, starting in 2017.
2. Later this year, we will begin testing highly-automated driving in city centres with a test fleet of 40 computer-operated cars.

Digitalisation is bringing new providers and their business models into the automotive sector. There is a strong reason for this: Individual mobility is an

Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

9

attractive area for future business opportunities. More than ever, a digitally connected world demands strategic cooperation.

With our Strategy, we made clear decisions regarding: What we should continue to do ourselves. Where we can benefit from partnerships.

Let me show you what this means for our ACES:

- In 2015, to meet a basic requirement for autonomous driving, together with the other German premium car companies we acquired the map service HERE. Since 2016, we have been cooperating successfully with Intel and Mobileye. Intel is now also a partner of the HERE open platform for real-time navigation. Intel's acquisition of Mobileye shows that we have the right partners. Our non-exclusive platform offering will be even more attractive.
- For connectivity, we are relying on an OEM backend. All aspects of data security and customer privacy are top priority for us. Beyond that, we collaborate with and invest in innovative start-ups in selected areas.
- On electrification, as already mentioned, we possess the in-house expertise to develop drivetrains. We support projects to create public charging infrastructure worldwide. In Europe, we are involved with other companies in setting up a network of rapid charging stations. On fuel cells, we continue to work with our partner Toyota.
- In the field of Services, we are expanding our offering through the NOW family. This represents a holistic approach to the big issues of urban mobility: parking, charging, air quality.
DriveNow is our car-sharing programme with more than 800,000 customers in eleven European cities. The all-electric BMW i3 makes up one-fifth of the fleet.

Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

10

ReachNow has been our on-demand Mobility Service in the US since 2016. This is a completely new service offering. Also in Beijing, we are testing ReachNow.

ChargeNow already comprises 65,000 charging points in 29 countries. The plan is to open it up to other OEMs.

ParkNow is already integrated into the new BMW 5 Series and the BMW Connected app. The service is also available to any driver via internet and app.

Ladies and Gentlemen,

We are living in unpredictable times. With our Strategy NUMBER ONE > NEXT, we are steering a clear course through these uncertain times. And we will continue to be open-minded and flexible.

At present we have a pool of around 30 million customers of BMW Group, which has been generated almost exclusively through the traditional automotive business. By 2025 we want to increase that pool to more than 100 million customers. To achieve this, we are using not only the automotive business but also our various services.

Alongside key performance indicators, our reputation as a company also includes sustainability as well as our attractiveness as a global employer. This helps us attract the young talent we need for digitalisation across all our business segments. We already hire more IT specialists than mechanical engineers. In 2016, we hired 6,900 new employees. Once again, we invested more than 350 million euros in vocational and professional training for our employees.

Both our shareholders and our employees will benefit from our success in our centenary year, 2016. For our employees we are paying the highest-ever profit-

Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

11

sharing bonus. For our shareholders, the Board of Management together with the Supervisory Board are proposing to the AGM the highest dividend ever.

That brings me to my final topic: **Our new models for customers.**

In 2017, we will launch the largest model offensive in the history of the company. We will be releasing more than 40 new and revised models onto the market this year and next.

One focus is on the new BMW 5 Series: The Sedan has been on the market since February. The plug-in hybrid model and M Performance version have been available for three weeks now. The Touring, as well as a Long-Wheelbase version, will follow for China in the summer. And there's sure to be another M5 as well.

The revised BMW 4 Series models attracted a lot of attention at the Geneva Motor Show. All new 4 Series models have been in the showrooms since March: the Coupé, Convertible, Gran Coupé and the M4 Coupé and M4 Convertible.

Our customers love our BMW X models. In 2016, every third BMW sold was an X model. As part of our strategy, we are expanding our X family: The BMW X7 – from 2018 – will appeal to new customers in the upper-luxury class segment. In 2018, we will launch the BMW X2. As you can see the design language of this vehicle is quite striking. The new X3 will be presented later this year. As this image suggests, our engineers are once again combining optimal driving safety with maximum driving pleasure.

We recently expanded the MINI line-up with the new MINI Countryman. It is the second MINI, after the Clubman, in the fast-growing premium compact segment.

Media Information

March 21, 2017

Date

Subject

Statement Harald Krüger, Chairman of the Board of Management of BMW AG
Annual Accounts Press Conference for the Business Year 2016

Page

12

Rolls-Royce is the pinnacle of luxury. In 2016, we launched the Rolls-Royce Dawn. With the Black Badge models of the Ghost and the Wraith, the brand is appealing to new target groups. The eighth generation of the legendary Phantom will arrive in late 2017, with a completely new aluminium architecture.

BMW Motorrad customers can also look forward to 14 new or revised models this year. The “Fit-4-2” growth strategy is paying off. In 2020, we aim to sell more than 200,000 BMW motorcycles and scooters. To this end, BMW Motorrad will be expanding its retail network in Asia and the US.

As you can see: We are renewing our entire portfolio significantly. This will strengthen our performance side. Our strategy places a clear emphasis on the high-margin upper luxury segment, where we will launch new and emotional models, such as the X7. We want to make BMW the strongest brand in this segment and significantly increase our sales volumes and revenues here by 2020. We will also be selectively using the BMW i and BMW M brands to expand our offering in this segment.

Ladies and Gentlemen,

The BMW Group has always reinvented itself. I am confident: In the coming years we will successfully make the transformation to become a tech company for premium mobility and premium services. Our Strategy NUMBER ONE > NEXT shows us the way. And in the future our company with its strong portfolio will continue to grow profitably and successfully.

Thank you!