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21 March 2018

BMW Group stepping up the pace

- BMW Group targets ninth successive record year
- Pre-tax profit over € 10 billion planned, despite increasing upfront expenditure
- EBIT margin forecast within target range
- Record sales volume targeted for Automotive segment
- Free Cash Flow 2017 above target despite high investment
- Record spending on tomorrow's mobility targeted for 2018
- Krüger: Future of mobility is created today

Munich. The BMW Group is stepping up the pace in its drive to shape tomorrow's mobility. Two years after the launch of Strategy

NUMBER ONE > NEXT, the BMW Group intends to increase upfront expenditure on research and development to an all-time high in 2018, while at the same time remaining steadily on course for a ninth record-breaking year in succession through profitable, sustainable growth.

“Our industry is currently experiencing a phase of unprecedented technological change. At the same time, however, it needs to cope with the challenge of present-day volatilities. At the BMW Group, we think in terms of opportunities and follow a clear strategy. Because the future of mobility is created today. We are stepping up the pace in 2018 and targeting our ninth successive record year,” stated **Harald Krüger**, Chairman of the Board of Management of BMW AG in Munich on Wednesday.

Despite major changes impacting the mobility sector, the one **constant factor** influencing the company's strategic decisions is fulfilling the needs of its **customers**. “Their passion and excitement is at the core of our growth strategy,” emphasised **Krüger**. “That is why the BMW Group offers a unique range of products (from the BMW i3 to the Rolls-Royce Phantom) and services (from customised financing to intelligent mobility services), all of which contribute towards making our customers' lives easier. With this point in mind, we are on our way to becoming a customer-focused mobility and high-tech company.”

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In 2018, the broadest **product initiative** ever undertaken by the BMW Group continues: With the market launch of the BMW X2 in March, the ramping up of the BMW X3 at three production sites and the new generation of the BMW X4, 2018 is sure to go down as the “**Year of X**” for the world’s largest manufacturer of premium vehicles. “We are bringing out completely new models and introducing a new design language for the whole product range. This is our recipe to ensure that the BMW brand regains pole position in the premium segment by 2020,” **Krüger** stated. “We gave the public a taste of these developments with the unveiling of the **BMW Concept M8 Gran Coupé** at the Geneva Motor Show and the series version will be presented in 2019.”

Strategic decisions will begin to bear fruit in 2018

Numerous strategic decisions, for which the BMW Group did the groundwork at an early stage in conjunction with its Strategy **NUMBER ONE > NEXT**, will begin to bear fruit in 2018. For instance, the acquisition of **Parkmobile LLC** was announced in January, making the BMW Group the leading provider of digital parking solutions. The acquisition of the car sharing joint venture **DriveNow** closed in March. These two transactions give the BMW Group control over a wide range of strategic options for enhancing its range of mobility services in a field set to make a crucial contribution to sustainable urban mobility going forward. The BMW Group is aiming to have **100 million active customers** by 2025.

In February, the BMW Group and the Chinese manufacturer **Great Wall** signed a letter of intent to establish a joint venture for the local production of **fully electric MINI** vehicles in China. This step is a further clear commitment to the electrified future of the MINI brand and highlights the **importance of the Chinese market** for the BMW Group.

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At the Geneva Motor Show in early March, the BMW Group announced that the BMW i Vision Dynamics, unveiled at the Frankfurt Motor Show in 2017, will be launched as the **all-electric BMW i4** and manufactured at the Munich plant. Today, the BMW Group already manufactures electrified vehicles at ten production facilities. In 2019, Plant Oxford will join this list with the start of production of the fully-electric MINI. The BMW i4 is just one of the **25 electrified models** that the BMW Group intends to bring to market by **2025**. Half of these models will be fully electric. Powered by the fifth generation of battery and drivetrain technology, from 2021 the BMW Group will be capable of offering all-electric vehicles with a range of up to 700 kilometres and plug-in hybrids with an electrical range of up to 100 kilometres.

Upfront expenditure for tomorrow's mobility at record level

Continuing progress in the field of electric mobility is a key reason behind the BMW Group's plan to allocate an increasing amount to research and development in the current year. After a spend of € 6,108 million in 2017, upfront expenditure for tomorrow's mobility will increase significantly in the financial year 2018. Investment will rise by a further high three-digit million-euro amount year-on-year, primarily for the ongoing new model initiative as well as continued work on e-mobility and autonomous driving. In absolute terms, the amount could reach the 7 billion euro mark. The major scale of investment reflects the BMW Group's determination to play a leading role in transforming the mobility sector with its future-oriented ACES programme: **A**utomated, **C**onnected, **E**lectrified and **S**ervices.

Despite the cost of these wide-ranging activities, the BMW Group expects **Group profit before tax** to be at least in line with the record level reported for 2017. "We will need to remain steadfast in 2018 in order to achieve our target of reporting another year of record pre-tax earnings," stated **Nicolas Peter**, Member of the Board of Management of BMW AG, Finance. "But we are an

ambitious company, constantly striving to improve the efficiency of our business processes. We are reducing the complexity of our range of products and services, rigorously bringing it into line with the requirements of our customers. This provides us with the necessary resources for future investments. As ever, our strategy is driven by the desire to achieve long-term sustainable profitability.”

As part of its Strategy **NUMBER ONE > NEXT**, the BMW Group is systematically expanding into market segments with high rates of return in order to finance the similarly high levels of upfront expenditure necessary to drive tomorrow's mobility from a position of underlying strength. Accordingly, the Group continues to target an **EBIT margin** within a range of 8 to 10 per cent for its Automotive and Motorcycles segments. **Deliveries to customers** are expected to rise slightly in the financial year 2018, resulting in a corresponding slight increase in Automotive segment **revenues**. The Motorcycles segment expects to see solid growth in volume terms.

In 2017, the BMW Group delivered more than **100,000 electrified vehicles** to customers for the first time in a single year, mainly driven by the performance of the all-electric BMW i3, sales of which have risen every year since its market launch in 2013. Last year, the BMW Group accounted for more newly registered electrified vehicles (all-electric + plug-in hybrid) than any other manufacturer in Europe, with a share of 21 percent. The BMW Group intends to grow sales of its electrified vehicles to **at least 140,000 units** globally in 2018 and is targeting **more than half a million** units on the world's roads by the end of 2019. “Our electric mobility strategy is having a positive impact: the broad range of electrified models we now offer enabled us to cut CO2 emissions across our EU fleet yet again in 2017,” **CEO Harald Krüger** pointed out.

This year, the BMW Group will also broaden its base for adding value worldwide. Further investments are planned in the key regions of China, the USA and Europe. Maintaining a strong **local presence**, particularly in the USA and China,

is and remains an essential prerequisite for being part of future growth in these regions.

New sales volume, revenues and earnings records in 2017

Automotive **sales volume** increased by 4.1% to a new record level of 2,463,526 units in 2017 (2016: 2,367,603 units). With its three premium automotive brands, BMW, MINI and Rolls-Royce, the BMW Group asserted its position as the world's leading manufacturer of premium vehicles. Deliveries of **electrified vehicles** jumped by 65.6% to 103,080 units, driven by the all-electric BMW i3 sales which have risen every year since the model's market launch in 2013. The BMW Group intends to increase the sales volume of electrified vehicles to at least 140,000 units in 2018 and bring more than half a million electrified vehicles onto the roads by the end of 2019.

Group revenues rose to a new record level of € 98,678 million in 2017 (2016: € 94,163 million; +4.8%), with currency effects slightly restraining growth. **Profit before financial result** (EBIT) rose by 5.3% to € 9,880 million (2016: € 9,386 million). **Group profit before tax** (EBT) went up significantly year-on-year, partly helped by favourable valuation effects, and – thanks to a 10.2% rise to € 10,655 million (2016: € 9,665 million) – finished the year for the first time above the ten-billion-euro mark. As in the previous year, all three operating segments – Automotive, Motorcycles and Financial Services – reported record pre-tax earnings, each making a contribution to earnings growth in 2017. The **pre-tax return on sales (EBT margin)** for the Group improved to 10.8% (2016: 10.3%), ensuring that the BMW Group remains one of the automotive industry's leaders when it comes to profitability.

Income tax expense amounted to € 1,949 million in the year under report (2016: € 2,755 million). The significantly lower tax expense in 2017 was mainly due to the reduction in the US federal corporate income tax rate from 35% to

21% with effect from 1 January 2018, which was taken into account in the measurement of deferred taxes at 31 December 2017. The revaluation gave rise to a positive impact of € 977 million on deferred taxes recognised through the income statement. **Group net profit** benefitted accordingly and rose to € 8,706 million (2016: € 6,910 million; +26.0%).

Free cash flow generated by the Automotive segment in 2017 again exceeded the target of € 3 billion despite an increase in the cash outflow from investing activities by € 1.1 billion. During the twelve-month period, free cash flow amounted to € 4,459 million (2016: € 5,792 million).

Dividend of € 4.00 per share of common stock proposed

“A company is only as good as its workforce. With their exemplary dedication, our employees are the driving force behind our success story,” stated **Krüger**. “That is why, we pay our permanent staff in Germany the highest profit share in the sector.” At the Annual General Meeting on 17 May 2018, the Board of Management and the Supervisory Board will propose to shareholders that the **dividend** be increased to a new high of € 4.00 (2016: € 3.50) per share of common stock and € 4.02 (2016: € 3.52) per share of preferred stock. The **distribution rate** of 30.2% (2016: 33.3%) will be within the BMW Group's target range of between 30 and 40%. “The proposal to raise the dividend by a significant amount is a clear sign of the BMW Group's confidence that it is ideally placed to perform well in the future on a sustainable basis,” said **Krüger**.

Consistently high profitability in Automotive segment

Automotive segment revenues grew by 2.5% to € 88,581 million (2016: € 86,424 million) on the back of positive sales volume figures. **EBIT** improved slightly by 2.2% to € 7,863 million (2016: € 7,695 million). The **EBIT margin** came in at 8.9%, unchanged from the previous year, thus

finishing within the target range of between 8 and 10% or higher for the eighth financial year in a row since 2010. **Segment profit before tax** increased by 9.8% to set a new record of € 8,691 million (2016: € 7,916 million).

In 2017, the Group again delivered over two million **BMW** brand vehicles to customers. Sales volume rose by 4.2% to 2,088,283 units year-on-year (2016: 2,003,359 units). The **BMW X family** remained a significant growth driver, with 9.6% more vehicles delivered to customers – an excellent performance considering the **BMW X3** model change has been in progress since the second half of the year. Following the completion of the **BMW 5 Series Sedan** model change, December sales of the world's leading premium business sedan were more than 55% up on the previous year, while sales volume for the year as a whole grew by 6.3% to 291,856 units. Other models contributing to growth in 2017 included the **BMW 1 Series** (201,968 units; +14.7%) and the brand's flagship **BMW 7 Series** (64,311 units; +4.5%).

The **MINI** brand set a new sales volume record in 2017 with 371,881 deliveries worldwide and 3.2% year-on-year growth. Sales of the new **MINI Countryman** jumped by 30.0% (84,441 units). The **MINI Convertible** also made an important contribution to the brand's successful performance, recording sales volume growth of 12.0% (33,317 units).

Rolls-Royce Motor Cars delivered 3,362 units (-16.2%) to customers in almost 50 countries around the globe. The figure was achieved despite volatility in key Middle East markets and the Phantom being unavailable throughout the year due to model change. The new Phantom was unveiled to the acclaim of an international public in London in July and has already received a large number of pre-orders. First customer deliveries commenced at the beginning of this year.

The BMW Group remains committed to its strategy of achieving a balanced distribution of sales worldwide.

The BMW Group again recorded high growth in **Asia**, where a total of 848,826 BMW, MINI and Rolls-Royce brand vehicles were sold, representing double-digit growth of 13.6% (2016: 747,291 units). The Chinese market made a key contribution to this performance with 595,020 units delivered to customers (2016: 516,785 units; +15.1%).

In **Europe**, the BMW Group sold a total of 1,101,760 units across its three brands, thus remaining at the previous year's high level (2016: 1,092,155 units; +0.9%). The sales volume figure of 241,674 units for Great Britain was down on the previous year (2016: 252,205 units; -4.2%). Deliveries to customers in France increased to 89,957 units (2016: 84,305 / +6.7%). The sales volume also increased in Italy with 86,663 deliveries (2016: 83,765 / +3.5%).

The **Americas** region saw a slight decrease in the number of deliveries over the year as a whole (451,136 units; -2.0%), with the limited availability of BMW X models having an impact on volumes. In a highly competitive market environment, deliveries in the USA dipped slightly to 353,819 units (2016: 366,493 units; -3.5%). In the fourth quarter of 2017, however, a turnaround was perceptible in both the USA (98,137 units; 2016: 96,609 units; +1.6%) and in the Americas as a whole (124,547 units; 2016: 122,393 units; +1.8%).

Motorcycles segment deliveries surpass 150,000 units for the first time

2017 was also a record-breaking year for the **Motorcycles segment**.

Motorcycle and maxi-scooter deliveries rose by 13.2% to 164,153 units (2016: 145,032 units), making it the seventh consecutive record-breaking year and the first in which more than 150,000 units were sold. Segment **revenues** also rose significantly to € 2,283 million (2016: € 2,069 million; +10.3%). Similarly, **EBIT** improved to € 207 million (2016: € 187 million; +10.7%). As in the Automotive segment, the BMW Group is also targeting an **EBIT margin** within a range of

8 to 10% in the Motorcycles segment. In the financial year 2017, the margin came in at 9.1% (2016: 9.0%). **Profit before tax** increased by 10.8% to € 205 million (2016: € 185 million).

Financial Services segment continues to break records

The Financial Services segment also continued to perform well in 2017. The number of **new contracts** concluded with retail customers rose slightly to 1,828,604 contracts (2016: 1,811,157 contracts; +1.0%) during the twelve-month period. At 31 December 2017, the **contract portfolio** comprised 5,380,785 contracts, thus growing by 5.2% year-on-year (2016: 5,114,906 contracts). **Segment revenues** were 7.3% higher at € 27,567 million (2016: € 25,681 million). **Profit before tax** increased slightly to € 2,207 million (2016: € 2,166 million; +1.9%).

Increase in workforce and number of apprentices

The size of the **workforce** grew by 4.2% in 2017. At 31 December, the BMW Group employed 129,932 people worldwide (2016: 124,729 employees). Projects relating to vehicle electrification and autonomous driving, as well as the continued expansion of the international production network, played a major role in the additional recruitment. Growth in automotive and motorcycle business on the one hand and the expansion of financial and mobility services on the other also contributed to the rise. The BMW Group continues to place great emphasis on its trainee programme and has again invested some € 350 million in basic and further training. Overall, more than 4,750 young people worldwide were employed in **vocational training** and training programmes for young talent at 31 December 2017.

Supervisory Board

At the Annual General Meeting to be held on 17 May 2018, the Supervisory Board will propose that Prof. Dr. Reinhard Hüttl, Chairman of the Executive Board of Helmholtz-Centre Potsdam – GFZ German Research Centre for Geosciences, Dr. Karl-Ludwig Kley, Chairman of the Supervisory Board of E.ON SE and Deutsche Lufthansa AG and Prof. Dr. Renate Köcher, Director of Institut für Demoskopie Allensbach Gesellschaft zum Studium der öffentlichen Meinung mbH, be re-elected to the BMW AG Supervisory Board.

Furthermore, the Supervisory Board will propose to the shareholders that Dr. Kurt Bock, Chairman of the Board of Executive Directors of BASF SE, be elected to the Supervisory Board of BMW AG. In agreement with the Supervisory Board, Dr. h.c. Robert Lane will resign effective the end of the Annual General Meeting. The Supervisory Board would like to thank Dr. h.c. Lane for several years of invaluable and trusted cooperation.



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The BMW Group – an Overview		2017	2016	Change in %
Deliveries to customers				
Automotive	units	2,463,526	2,367,603	4.1
thereof: BMW	units	2,088,283	2,003,359	4.2
MINI	units	371,881	360,233	3.2
Rolls-Royce	units	3,362	4,011	-16.2
Motorcycles	units	164,153	145,032	13.2
Workforce¹		129,932	124,729	4.2
Automotive segment EBIT margin	%	8.9	8.9	-
Motorcycles segment EBIT margin	%	9.1	9.0	+0.1 % points
EBT margin BMW Group	%	10.8	10.3	+0.5 % points
Free cash flow Automotive segment	€ million	4,459	5,792	-23.0
Revenues	€ million	98,678	94,163	4.8
thereof: Automotive	€ million	88,581	86,424	2.5
Motorcycles	€ million	2,283	2,069	10.3
Financial Services	€ million	27,567	25,681	7.3
Other Entities	€ million	7	6	16.7
Eliminations	€ million	-19,760	-20,017	1.3
Profit before financial result (EBIT)	€ million	9,880	9,386	5.3
thereof: Automotive	€ million	7,863	7,695	2.2
Motorcycles	€ million	207	187	10.7
Financial Services	€ million	2,194	2,184	0.5
Other Entities	€ million	14	-17	-
Eliminations	€ million	-398	-663	40.0
Profit before tax (EBT)	€ million	10,655	9,665	10.2
thereof: Automotive	€ million	8,691	7,916	9.8
Motorcycles	€ million	205	185	10.8
Financial Services	€ million	2,207	2,166	1.9
Other Entities	€ million	80	170	-52.9
Eliminations	€ million	-528	-772	31.6
Income taxes	€ million	-1,949	-2,755	29.3
Net profit	€ million	8,706	6,910	26.0
Earnings per share²	€	13.12/13.14	10.45/10.47	25.6/25.5

¹ Excluding dormant employment contracts, employees in the work and non-work phases of pre-retirement part-time working arrangements and low wage earners

² Earnings per share of common stock/preferred stock

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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 and mobility services. The BMW Group production network comprises 30 production and assembly facilities in 14 countries; the company has a global sales network in more than 140 countries.

In 2017, the BMW Group sold over 2,463,500 passenger vehicles and more than 164,000 motorcycles worldwide. The profit before tax in the financial year 2017 was € 10.655 billion on revenues amounting to € 98.678 billion. As of 31 December 2017, the BMW Group had a workforce of 129,932 employees.

The success of the BMW Group has always been based on long-term thinking and responsible action. The company has therefore established ecological and social sustainability throughout the value chain, comprehensive product responsibility and a clear commitment to conserving resources as an integral part of its strategy.

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