

Media Information

November 11, 2015

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Peter Schwarzenbauer

Ladies and Gentlemen,

I am delighted to welcome you today to one of the world's most tradition-steeped and successful motorcycle brands. Welcome to BMW Motorrad! Today's event is the first of its kind. Usually, our press conferences are about individual products. But today, we want to give you a full overview of the business division BMW Motorrad for the first time. We are going to show you where we come from, where we stand and where we are planning to take BMW Motorrad in the near future.

For years now, business at BMW Motorrad has flourished; the brand has enjoyed one record year after another in terms of sales and profits. The motorcycle division is a part of our company that's firmly anchored in its heritage. And the Management Board is convinced that it is a part of the company, which will continue to make a contribution to the Group's success also in the future. The positive development is the result of our plan which was set out a few years ago. I am pleased about this opportunity to give you deeper insight into our considerations today. Together with you, we are also going to take an exclusive look behind the scenes of what's coming. After all, it is not our style to stand still. Quite the contrary, we want to remain the benchmark in the premium motorcycle segment.

To this end, we will take BMW Motorrad to the next level and stake out new ground for the brand. But let's start with a film about the past and present of BMW Motorrad.

You have just seen for yourselves how fascinating the BMW Motorrad brand is, and what it is all about: We convey emotions, a certain lifestyle, and unique

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experiences – and we have done so for a long time, having inspired customers for over 90 years now.

A motorcycle was the first vehicle BMW put on the road. Only in 1929, when the BMW 3/15 was introduced, the company started to offer four-wheeled vehicles as well. In its first decades, BMW was primarily a motorcycle manufacturer that also made cars. The emphasis only changed in the late 1950s when BMW transformed into a carmaker with a stand-alone motorcycle unit.

In 1923, BMW presented the R32 – the first motorcycle in the company's history. Along with the R32, an icon was born – because BMW was the first and only manufacturer that fitted a boxer engine with shaft drive in its motorcycles.

Robust and with high torque, high-performance and easily serviced: These properties quickly made this drive concept a distinguishing feature. Up to this day, the boxer engine – together with various other drives – is at the core of BMW Motorrad. It is a signature feature of the brand and still one of the main reasons for many customers to buy a BMW motorcycle. We will remain true to this tradition in the future and expand this offering even further.

These very first motorcycles immediately established the excellent reputation of BMW Motorrad. All those years ago, our motorcycles were famous for their reliability, technical innovations, excellent craftsmanship and trendsetting design – just like they are today. These are also the basic elements of the premium strategy that makes BMW Motorrad successful to this day. You might remember some of the major highlights: great accomplishments on the racetracks of the world; the first series ABS for motorcycles; the first controlled catalytic converter; entirely new segments such as large travel enduro bikes; not to forget our technical chassis and powertrain innovations that often became drivers for the whole industry.

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All of that has led to our products' increasing popularity. Even though there were difficult times as well, our passion and determined entrepreneurial action have allowed us to sustain over all these decades as the only German motorcycle manufacturer. You could say that this is another of BMW Motorrad's inherent strengths: to adapt to changing conditions and return to the road to success.

The graph you see here shows the different stages for sales in the motorcycle segment: first the major upturn following the end of WWII, the remotorization of our society; then, in the mid-1950s, sales suddenly slumped as cars began their success story, becoming affordable for the general public. In the late 1960s and early 1970s, the motorcycle was celebrating its comeback, this time around as a lifestyle object. The next upswing happened in the early 1980s, when BMW launched the first GS, establishing the new segment of large travel enduro bikes. At the end of the 80s, Japanese manufacturers dominated the market – until our sales started climbing again from 1993 on when we introduced the new boxer engine and the new K models. Following 2007, we felt the negative effects of the economic and financial crisis, with sales declining: However, unlike our competitors, BMW Motorrad managed to acquire market share, also during those years.

Today, BMW Motorrad is more successful than ever. In the segment of premium motorcycles over 500cc, BMW is the market leader in 26 countries. As per October this year, we delivered more than 120,000 motorcycles – 11.5 percent up year-on-year. And I am absolutely positive that we will be able to achieve another record year in 2015.

In everything we do, we can also draw on the cumulative expertise of the BMW Group. We take advantage of synergies in order to optimize our motorcycles further and to develop new concepts. The best example for such a technology transfer is our electric maxi-scooter, the C evolution. Its drive technology is identical to that applied in the all-electric BMW i3.

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BMW Motorrad is an inherent and highly emotional part of the BMW brand. The entire BMW brand is emotionally charged by the flair of BMW Motorrad. In turn, BMW Motorrad benefits from belonging to the BMW Group. One thing is clear: The motorcycles with the blue-and-white logo are part of this company's tradition – as well as its future.

Earlier I mentioned the strategy we set out for BMW Motorrad a few years ago. The planning we did back then has led BMW Motorrad to its current success, and it will take this fantastic brand even further. So today, we would like to tell you more about this strategy.

Provided that the overall political and economic conditions remain largely stable, our goals for the next few years are as follows:

1. We want BMW Motorrad to continue its sustainable and profitable growth.
2. We expect an increase in sales of more than 50 percent from 2014 to 2020.
3. We are expanding our dealership network from currently over 1,100 to about 1,500 retail outlets by 2020.

Ladies and Gentlemen – As a motorcycle enthusiast, I am already excited to see the future models – and as the member of the BMW Group's Management Board responsible for BMW Motorrad, I am excited about its potential to make a great contribution to our business success.

I wish you an inspiring time here in Munich and am looking forward to our conversations.

For the time being, I would like to hand over to Stephan Schaller, head of BMW Motorrad. As the initiator of the realignment of BMW Motorrad, he is now going to tell you about our plans in greater detail.

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Stephan Schaller

Ladies and Gentlemen, I'd also like to welcome you to BMW Motorrad.

Mr. Schwarzenbauer, thanks for being here today and thank you for the trust you put in BMW Motorrad. We will extend the success of this business unit further and continue to make our contribution to the BMW Group's success. To this end, we have set ourselves the following goals for the years to come:

1. We will continue to achieve sustainable and profitable growth.
2. We will continue our current model initiative.
3. We will strengthen our commitment in the existing markets and tap into new markets, with Asia and South America on the top of our list.
4. We will also offer motorcycles with an engine capacity below 500cc in the future.
5. As far as urban mobility goes, we will provide a wider range of products with smaller engine capacities.
6. All these steps will lead to an increase in BMW Motorrad sales up to 200,000 units by 2020.

Each of these goals comes with various planning steps, which I would like to elaborate on today. And I am pleased that I can do so while also presenting some of our new models.

So what exactly is passion for motorcycling all about? For me personally – as well as for most of our customers – a motorcycle is much more than just a means of transportation. Riding a motorbike is not just a way to get from A to B. Motorcycling has its own special flair; it is purist – a counterbalance to our highly connected digital world. A BMW is 'the ultimate riding machine' in its purest form.

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Many of our customers buy a motorcycle to fulfill one of their dreams. Those who buy a BMW treat themselves to something special – and they are willing to invest a lot of money for it. Each BMW motorcycle is a promise to the customers – the promise that they have acquired an outstanding product for outstanding moments. This is what our premium motorcycles stand for, day by day.

What you see here is our Strategy House, which I will also use as a guideline for my talk today. The brand and its premium positioning form the roof, which is supported by our brand management and our products.

At BMW Motorrad, it is all about what customers can experience with their motorcycles. This is why we don't talk about model series but about riding experience worlds. Unforgettable moments mean different things to different motorcyclist: For some, it's the fast loop on the racetrack, for others a challenging ride on country roads, and yet others take their motorbike on long journeys or enjoy their flexibility on daily commutes downtown.

But no matter what the focus – Sport, Tour, Roadster, Adventure, Heritage or Urban Mobility – every motorcyclist can find the bike of their dreams in one of these experience worlds. And no matter how different these experience worlds are, they all share BMW Motorrad's brand message: 'Make Life a Ride.'

What I would like to do now is introduce to you one representative of each of these categories:

The Roadster world is represented by the S 1000 R, the benchmark among dynamic roadsters. Motorcycles in this lineup are powerful, reduced to the essential, and come with almost no fairing. This lineup focuses on the pure and unbridled pleasure of motorcycling.

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The Tour world is represented by the R 1200 RT: Motorcycles of this category combine maximum comfort and driving dynamics, making journeys – on your own or with a partner – an unforgettable experience.

No other bike can be a more authentic interpretation of the Sport world than the S 1000 RR: Since its market launch, it has been the benchmark in the field of performance sports bikes. The racetrack is the arena – the pure spirit of adrenaline rules!

The R 1200 GS stands for the Adventure world. This motorcycle is our bestselling model. We established the segment of travel enduro bikes more than 30 years ago with our first GS, and today's version is an icon taken to perfection. The motorcycles in this lineup are made to explore the adventures of our world. Travel with these motorbikes is not limited to tarmac roads; they easily move on to unpaved and dirt roads.

Two riding experience worlds have not yet been shown: Urban Mobility and Heritage. I'll introduce those in a moment.

Ladies and Gentlemen –

Each of these models tells its own story, and each promises the motorcyclist an individual and unforgettable recreational experience. This – in combination with a convincing product substance and high value retention – has allowed BMW Motorrad to weather also the times of crisis.

This is also true for 2007. Before the financial crisis, the total market relevant to us – the segment of motorcycles over 500cc – amounted to close to 1.6 million units. During the crisis, this number went down to about half of what it was: 860,000 units. And contrary to the car market, the motorcycle market has not rebounded. Only since last year, have we seen the first signs of a recovery.

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BMW Motorrad has defied the negative trend of the industry like no other brand. We even managed to expand our business in these difficult years. Since the onset of the crisis, we have managed to more than double our market share in the relevant segment, to 14.2 percent. At the same time, our sales have increased by 18 percent.

Why's that? Even during the crisis, we continued to invest in our brand, develop new models and tapped into new segments.

It's safe to say that our premium approach was another major success factor. Buying a BMW motorcycle means investing in an exclusive recreational product. Our product quality guarantees long-lasting driving pleasure and high value retention.

I would now like to present to you some of the most distinct examples of the recent past:

In 2009, we entered the market of high-performance sports bikes with a bang when we launched our S 1000 RR – which became the leader in its segment almost overnight.

In 2012, we launched our maxi-scooters, successfully establishing BMW Motorrad in the Urban Mobility segment.

2013 marked the debut of the R nineT, our entry into the Heritage segment and at the same time a revolution of this segment.

In 2014, BMW Motorrad entered the era of electric mobility with the all-electric C evolution.

2015 saw the launch of the R 1200 RS – our revival of the Sports Tourer segment after a 20-year break.

This year, we are continuing our model initiative with the launch of the S 1000 XR – a combination of sports bike, travel enduro and touring motorcycle – as well as the new models we are exclusively presenting to you today.

At this point, I'd like to talk a little more about the R nineT because this model has turned out to be a very special success story.

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Even before its official presentation, the nineT made hearts beat faster: signature BMW elements combined with state-of-the-art technology as well as the possibility of customizing – this combination immediately was a huge hit with motorcyclists. Our production was – and still is – booked out for months ahead. This is how we added a new aspect to our experience worlds, the Heritage world.

Based on the nineT backbone, we are going to create a new family of air-cooled boxers – an idea we have previously implemented successfully for other drive concepts. In economic terms, establishing product families is very interesting for us as a manufacturer as they allow us maximum economies of scale between the different models.

The Heritage models with their wide range of customization options have great potential, in the U.S. market in particular. Thanks to our own heritage and longstanding experience, we see growth opportunities for this market, especially in the cruiser segment.

At the EICMA we will celebrate the official debut of the next member of our heritage family: The R nineT Scrambler

The new Scrambler basically revives an entire era of motorcycling. As the expression of a certain lifestyle, it is a pure manifestation of our motto, 'Make Life a Ride.' Just like the nineT, the new Scrambler is "Ready to customize".

I'd now like to move on to a totally different – but not less exciting – element of our Strategy House: Urban Mobility.

Today we are facing the significant challenge of having to make mobility easier for customers in urban areas. Single-lane vehicles can play an important role in these efforts as they offer intelligent solutions to urban traffic problems. This is why, in 2012, we have launched two offerings that match the mobility demands of this specific target group – and so far, nearly 30,000 customers have decided to buy one of our maxi-scooters.

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Following close to four years on the market, we presented the next generation of these two models last week. And here they are, the new C 650 Sport and the C 650 GT!

With the next generation, our two maxi-scooter models have become even more modern, dynamic and future-oriented.

These bikes are anything but a compromise. They combine the excellent driving characteristics of a BMW motorcycle with the agility and comfort of a maxi-scooter. Their safety features include ABS and stability control. The C 650 GT is also equipped with a world premiere in the two-wheeler market: It is the first motorcycle with 'Side View Assist.' This feature – derived from BMW car models – supports the motorcyclist by monitoring the blind spot. Especially when changing lanes in city traffic, this means a major increase in comfort and safety. Our motorcycles for urban mobility offer ideal prerequisites for the application of electric drives.

With the C evolution, we have taken the scooter concept to a whole new level. Thanks to the BMW i3, the BMW Group is a pioneer in electric mobility – and with the C evolution, BMW Motorrad has entered the era of electric driving as well, offering customers an entirely new driving experience. This bike is great fun in city traffic: At traffic lights, it will leave all the other vehicles far behind, thanks to the unrivalled torque of the electric drive. I am convinced that the e-drive will be the future, also in the motorcycle sector.

Our maxi-scooters offer three attractive solutions for modern, urban mobility requirements. But that's not the end of the story: In the years to come, we are planning to continuously expand the lineup of our Urban Mobility world. To this end, we are working on vehicles also below the maxi-scooter segment, which will build on both combustion engines and the benefits of electric drives.

Ladies and Gentlemen –

By taking all the steps I have presented to you, we are going to expand our core segments in the near future. But as I mentioned earlier, our goal is to increase sales by over 50 percent by 2020, to a total of 200,000 units.

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In order to reach this goal, we have determined two aspects:

New products and new markets.

Let's have a brief look at the total motorcycle market worldwide. What do you think: How many powered two-wheelers – from large motorcycles down to pedelecs and e-bikes are sold every year worldwide? The number is pretty impressive: some 114 million.

BMW Motorrad is very successful in the premium segment of motorcycles over 500cc. Those have a global market volume of about 865,000 units right now.

The size of the segment will change only marginally in the years to come. So it does not offer the growth potential we are looking for. The logical consequence is that we will have to tap into new markets with new products. The segment of smaller engine capacities of between 125 and 500cc offers the ideal prerequisites for our plans. According to market research findings, this market will grow significantly by 2020.

So it is the ideal environment to attract new customers to BMW Motorrad with our premium approach.

Over the next few years, this segment will primarily grow in Asia and South America.

Ladies and Gentlemen –

The motorcycle I am going to show you next is a model not yet seen by anyone outside of BMW. So this is a true world premiere. This bike targets exactly the high-growth segment of 125 to 500cc. I am pleased to present to you the G 310 R, the first premium offering in its class.

I hope you agree with me that our 300 Roadster stands out as a genuine BMW at first sight. And I can promise you, it definitely moves like one.

The BMW G 310 R is far more than just another motorcycle below 500cc. As a brand ambassador, it represents the values of BMW Motorrad in this segment. This roadster will redefine its segment as it is ideal for young people, novices, returning riders and many other motorcyclists around the world.

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It will help us tap entirely new market potentials, especially in markets where we haven't been active before.

Ladies and Gentlemen –

When you think back to the BMW R 39, the first BMW motorcycle with a one-cylinder engine developed 90 years ago, or the R 25 models of the post-war era, or the F 650 series launched in the 1990s – the key characteristics of BMW Motorrad's one-cylinder models have always been the same: easy handling, inspiring driving dynamics, and high efficiency.

BMW Motorrad is now continuing this tradition with the 300 Roadster in a new and contemporary form.

As part of this strategic realignment, we have entered into a long-term cooperation agreement with TVS Motor Company, India's third-largest motorcycle manufacturer with a total production volume of some 2.5 million units annually. Developed entirely at our site in Munich, we will produce the 300 Roadster in cooperation with TVS – which allows us to offer a true BMW at competitive costs in this new segment.

To prepare for this step, we jointly established a stand-alone production facility in India. Our production experts from Berlin provided their vast knowledge during the setup to ensure BMW Motorcycle's typical high product quality. It is fascinating what we have accomplished together with TVS over the past months and years. Today, both parties benefit from each other's expertise.

The production site in Bangalore complements our global production network, which over the past few years has been adapted and expanded continuously to meet our demands. So we are now able to perfectly provide for markets in Asia and South America as well. All in all, BMW Motorrad now has four production sites worldwide.

The heart of this network is and will remain our main plant in Berlin. The Berlin plant will continue to produce a large share of our vehicles. And just like our Berlin-based experts supported the setup of the facility in Bangalore, they will continue to provide technological support to the production sites worldwide, always according to the motto, 'Managed by Berlin.' This is our approach to

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guaranteeing that every single motorcycle on every single assembly line worldwide meets BMW's high quality standards.

Ladies and Gentlemen –

This brings me to the end of my BMW Motorrad presentation.

BMW is the most successful premium manufacturer of motorcycles and maxi-scooters worldwide. Our products stand for emotion, innovation and safety on two wheels.

I have told you how we intend to continue this success story in the future – with our ongoing model initiative, which we will expand; with our increased presence in existing markets and the entry into new markets; and with completely new motorcycle segments.

All these steps will make a contribution to ensuring our sustainable and profitable future growth and to achieving our target of 200,000 motorcycles by 2020.

Thank you very much.

Peter Schwarzenbauer:

Mr. Schaller, thank you so much for this comprehensive overview of the fascinating world of BMW Motorrad. I am looking forward to our future with these great products and I am convinced that BMW Motorrad will continue to make history.

But before we move on to the exhibition, and before you have the opportunity to talk some more with us and the motorcycle experts, we have one last thing for you – and I can promise you it's something really special.

The BMW Group is in the lead when it comes to electric mobility. Our all-electric BMW i3 demonstrates what's technically feasible. It opened the door to the age of electric mobility for BMW cars while C evolution was the trailblazer for BMW Motorrad in the same field. However, these two products have more in common than their drivetrain technology. Up to now, both of them are all by themselves –

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but as I said, this is only 'up to now.' We are planning to expand our e-mobility offering and accelerate the transition towards the electric era.

We at BMW Motorrad are also working hard on further innovative and highly emotional products.

Stephan Schaller:

Exactly. After all, zero-emission electric motorcycling will become a growing share of our two-wheeler business. And when it comes to emotional appeal, the S 1000 RR definitely plays in the big leagues. Since its market launch, motorsports enthusiasts have been crazy about this bike. The RR sets standards in terms of acceleration, handling and top speed. But when it comes to the acceleration on the first couple of meters, the sprint up to, let's say, 50 or 60 km/h, the RR with its 199 HP has to admit defeat to one other model in the lineup. Can you guess which one? Yes, the C evolution with its electric drive. So we have asked ourselves: What would happen if we equipped a high-performance sports bike with an additional electric drive? Can we do that? And does that work? The answer is: Yes, we can, and yes, it works!

Ladies and Gentlemen –

Another glimpse into the future: This is our experimental vehicle for an all-electric BMW sports bike the BMW EE.