

Media Information
11 May 2017

- Check against delivery -

Statement
Harald Krüger
Chairman of the Board of Management of BMW AG
97th Annual General Meeting of BMW AG
Munich, Olympiahalle, 11 May 2017, 10.00 a.m.

BMW Group – THE NEXT 100 YEARS:
Passionate about the future

Good morning Ladies and Gentlemen!

Welcome to the 97th Annual General Meeting of BMW AG!

I would also like to welcome everyone joining us via the internet.

Digitalisation is changing our lives. Evolution has taught us that change is part of human nature. Things we previously thought were impossible are now suddenly part of our everyday lives. Young people today grow up taking technology for granted. We see this in our own children or grandchildren. More than anything else, the one attribute companies need for long-term success in the digital age is future viability. This has many facets. What it means for us is:

- Exceeding the expectations of our customers
- Profitability and innovative strength.
- Market presence and strong brands.
- Flexibility and quality.
- And, of course, being an attractive employer.

That is the BMW way. “The BMW Group is not resting on its laurels. It is actively shaping the future.” This was the tenor of many media during our centenary year. We know who we are: A company with a strong heritage.

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And we know what we excel at now and in the future:

Premium. This will remain our business model. At the same time, we are pioneering new technologies. We are transforming from a mobility provider to a technology company for mobility and services in the premium segment.

Strategy NUMBER ONE > NEXT is our roadmap. It combines profitability, operational excellence and fresh thinking, fusing together two business models: On the one side, our successful core business, an area where we must continue to excel. It is the foundation and the essence for everything new we undertake. On the other side, new business segments with a start-up mentality. This means swift action, new capabilities and cooperation with partners. We are combining these two approaches to create something even better.

You, our shareholders, also play a part in this. You take a long-term view, just like we do. You are together with us as we embark upon the transformation of mobility. I can assure you that our 125,000 employees certainly appreciate your support. Dear Shareholders, clearly, you must benefit from your investment. For our centenary year 2016, the Board of Management and the Supervisory Board are proposing a dividend of 3.50 euros per share of common stock and 3.52 euros per share of preferred stock. This is the highest dividend the company has ever paid out. It means a third of our net profit for the year will be distributed to you, our shareholders – adding up to a total of 2.3 billion euros.

Our employees should also benefit when we do well, which is why we have profit sharing in Germany. This has a strong tradition at our company and is a motivating factor. Many of our employees are watching today, so this is a good opportunity to express our thanks to them. Personally, and on behalf of the entire Board of Management, I would like to thank all our employees worldwide for your tremendous accomplishments in our centenary year. Of course, also a very big thank-you to all of our customers around the globe. Naturally, this also applies to our business partners, suppliers and retail organisation.



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Ladies and Gentlemen,

The future is built not by machines and algorithms, but by humans like us. Last year, I showed you a photo of our BMW Vision Vehicle. Today, it is standing right here in front of you. As I experienced personally in Munich, Beijing and Los Angeles, people all over the world are fascinated by our Vision Vehicles. Sheer driving pleasure will be transformed into a completely new mobility experience. And, by the way, design remains the most important reason for buying a car. The groundbreaking, emotional design of our Vision Vehicles sets the tone for our future series models.

Dear Shareholders and Shareholder Representatives,

Dear Employees,

These are the main topics of today:

1. Success is our foundation: a review of 2016 and our outlook for 2017.
2. Making decisions for tomorrow's success: That is Strategy NUMBER ONE > NEXT.

We exceeded our targets for our centenary year 2016:

- We achieved new all-time highs for sales, Group revenues and earnings before tax.
- The EBIT margin in the Automotive Segment has remained within our target range of 8 to 10 per cent for the past seven years.
- Our Financial Services Segment and BMW Motorrad made a strong contribution to the positive overall result.



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Your company remains the leading car company in terms of sales, in the global premium segment. You know that the BMW Group is an ambitious company – and that applies now more than ever. Competition spurs us on. But future viability is about more than just good sales figures and thinking in “quarterly” terms. We are investing in the future, because we believe that innovative strength is the key to long-term profitability. We invested 3.7 billion euros in products and equipment in 2016. Research and development spending totalled more than five billion euros.

The key financials for 2016 have boosted our confidence – an optimism shared by the capital markets. The BMW Group has an excellent credit rating, which is the highest of any automotive manufacturer in Europe and the second-highest worldwide. We, and you, dear shareholders, can be proud of this.

BMW shares have performed well over the long term. Since Strategy Number ONE was introduced in 2007, its value has more than doubled. In 2016, however, it followed the downward trend of the automotive index.

In 2017, we will once again show spirit and determination.

- We are targeting new all-time highs for deliveries, revenues and profit before tax.
- The EBIT margin in the Automotive Segment should remain within the range of 8 to 10 per cent.

This is naturally assuming that conditions remain stable.

We are living in a volatile world, with political uncertainty and unexpected events. Nevertheless, the prospects for 2017 look good. Global economic growth is projected to rise. The worldwide car market is expected to grow. The premium segment should grow as well, to reach more than 8.6 million vehicles.



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In a world full of uncertainty, the most flexible companies are the ones that will stay on top. At the BMW Group, we chart our own course, making decisions for tomorrow's success.

That is why Strategy NUMBER ONE > NEXT will be my second topic today.

We have a clear list of priorities.

1. Electrification.
2. Autonomous driving.
3. Both of these technological advances will be accompanied by a full range of services.

When it comes to e-mobility, we see two trends: Demand will increase significantly, and this development will largely be driven by legislation. Sustainable mobility is a marathon. We are making good progress.

- Among premium brands, BMW is the clear number one for plug-in hybrids
- Our BMW i3 is one of the top-three best-selling electric vehicles worldwide.
- In 2017, we aim to sell 100,000 electrified vehicles. In the first quarter, we already sold almost 20,000.
- By 2025, electrified drive trains are likely to account for 15 to 25 per cent of our total sales.

We are adding speed to our marathon, as we proceed with electrifying all our brands and product lines:



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- In 2017, the MINI Countryman plug-in hybrid.
- In 2018, the BMW i8 Roadster.
- In 2019, a pure electric MINI.
- In 2020, the fully electric BMW X3.
- In 2021, the BMW iNEXT.

All of these decisions are a result of our strategy.

Sustainable mobility thrives wherever there is an effective combination of three factors: customer, legislation and industrialisation. Anyone who has driven an electric car – and I do this very often - knows that e-mobility is also sheer driving pleasure in its purest form. That is why 95 per cent of electric car owners choose an electric vehicle as their next car. Our car-sharing service DriveNow is breaking new ground: DriveNow customers in Europe have already made 1.4 million trips on electric power alone with the i3. That is a total of 250 all-electric trips around the world. And all of these people experience e-mobility simply as part of their everyday lives.

If more electro-mobility is desired, more must be done for it. There needs to be a single internal market for e-mobility in the European Union! And there need to be attractive incentives for customers! We are seeing what happens when incentives are discarded too soon, as in the Netherlands. Up until recently, it was one of the leading markets for electrified vehicles. Since the start of 2017, plug-in hybrids are no longer subsidised, and suddenly, demand decreased by half.

Nevertheless, electro-mobility continues to gain ground.

We are adapting our entire production network to alternative drive trains:

1. We are strengthening the future technology of e-mobility here in Germany. One could even call us the “Bavarian Electric Motor Works”.



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We will build the iNEXT, our new innovation spearhead, at our plant in Dingolfing.

2. From 2020, we want to be able to build electric, plug-in hybrid and combustion-engine variants of each model series on the same line. This will make us extremely flexible.
3. We are also working with Toyota on fuel cells and will be launching an initial small-series model in 2021.

Ladies and Gentlemen,

You know that we like to talk about issues openly at the BMW Group – even difficult topics – and that our arguments are based on facts. The same applies to the current debate about diesel. Dear Shareholders, I can reaffirm that your company complies with the laws in every country. We meet all testing requirements. You can rely on that. For us, premium also means offering our customers diesel vehicles with state-of-the-art exhaust gas treatment.

Diesel is coming under a lot of criticism. The problem is, if you ban diesel, you end up with more CO₂. So, let's stick to the facts: Diesel has made a major contribution to lower CO₂ emissions in Europe. Our modern diesels meet the Euro 6 standard. They consume at least 20 per cent less fuel than a comparable petrol model. And, they emit at least 15 per cent less CO₂. Without modern diesel technology, the EU targets for 2020 are meaningless. There is no doubt - we need to reduce particulate matter and nitrogen oxides in our cities. We need comprehensive, cross-border solutions. But I would also like to say: Let's not punish the hundreds of thousands of people with older diesels with sweeping driving restrictions. Many of these people depend on their vehicle on a day-today basis – commuters, parents and many others. Companies need political and legislative reliability for their planning. But consumers rightly want security for their purchasing decisions, too. So, let's stop making people uncertain and stop condemning modern diesel!



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The second big topic in our industry is autonomous driving. Also here, we are taking action, and you will see further steps this year:

1. We will begin testing highly autonomous driving in city centres. So don't be surprised if you see a BMW driving alongside you and the driver doesn't have their hands on the wheel!
2. We will be concentrating all our expertise in this field at our new Research and Development Centre for Autonomous Driving near Munich.

Silicon Valley isn't the only place where rapid progress is being made in technology. We have plenty of smart people right here in Germany. The BMW Group already hires more IT specialists than mechanical engineers. We have a clear vision: We want to be technology leader and be at the forefront of autonomous driving.

Ladies and Gentlemen,

We have created the important prerequisites for autonomous driving with the acquisition of mapping service HERE, together with other German premium manufacturers in 2015, and our cooperation with Intel and sensors specialist Mobileye since 2016. Automated driving frees up valuable time, so in the future, you can relax or use the time to get other things done.

This is the new world of the digital vehicle. It integrates itself into your lifestyle. It is operated intuitively. It gets to know you – and learns from you.

At the BMW Group, we stand by our principles: We guarantee the security of our customers' data and protect their privacy. That is our understanding of premium. IT providers have now also "discovered" automobiles – which underlines that mobility is a business segment with a bright future.



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Of course, this also applies to services. Our NOW Family addresses the main issues of urban mobility: parking, charging, air quality.

- DriveNow has more than 860,000 customers in Europe.
- ReachNow is also available as an on-demand mobility service in the US and in China.
- ChargeNow provides more than 65,000 charging points in 29 countries.
- ParkNow finds a parking space for you.

Digital technologies and services are merging on a global level. Our production network is global, but our roots will always be in Germany. They are our foundation – especially when we are in the midst of change. We invest an average of more than one billion euros per year in our German locations. We are committed to our home.

But, these days, home is also China, the US and Europe. Most of our customers live here in Europe. For us, it was always clear: We are committed to the European community, and to the European single market. This is what we believe in. We benefit from Europe and the euro and, for that reason, we are committed to value creation in Europe. We sincerely hope those involved in the Brexit negotiations will adopt a pragmatic approach. That means: No new barriers to trade, and free access for skilled workers. Here, we are planning for different scenarios. As you know, we also produce our MINI models at VDL Nedcar in the Netherlands. We will stay flexible.

We have also been at home in China for many years. In 2016, we opened our new engine plant – our fourth worldwide. Our Tiexi and Dadong automotive plants produce five models for Chinese customers. Every time I visit China, I realise it is not only a driving force for electro-mobility, but also a country with an unquenchable thirst for innovation. That fits very well with our philosophy at BMW.



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We have been proud to call the USA our “second home” for 25 years now. Spartanburg is the largest plant in our global production network and another hub of value creation: We employ around 70,000 people directly and indirectly in the US. Our export volume totalled nearly 11 billion dollars in 2016. BMW is the United States’ leading automotive exporter. This was confirmed by the US Department of Commerce. The German Chancellor has addressed the important future topic of vocational education with the new US administration. Dialogue is always a good place to start.

The world of work is changing – at every one of our 31 locations in 14 countries. Assembly lines and electronics are now being supplemented by artificial intelligence, with innovative forms of automation opening up new possibilities for production. Today, people and machines work side by side in harmony. Our employees are supported by assistance systems, wherever it is beneficial to do so. Lightweight robots are already used at all our locations for lifting heavy parts – making work easier for our employees and improving the stability of our processes. Our guiding principle is that technology should serve humans – not the other way round.

Ladies and Gentlemen,

Future viability begins here and now. We seek to inspire our customers and, to do this, we are launching the largest model offensive in the history of our company: We will be introducing more than 40 new and revised models this year and next. The main focus will be the new BMW 5 Series, the most innovative 5 Series of all time, as confirmed by awards such as “Best Connected Car of the Year”. The Sedan, plug-in hybrid variant and the M Performance model have all been available for just a few weeks, but, in this short space of time, 30,000 customers have already bought a new 5 Series. That number is significantly higher than sales of its predecessor. In summer, we will launch the Touring and



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the Long Wheelbase Version of the Sedan for China. BMW M fans can also look forward to the new M5.

The BMW 4 Series has been revised. All models are even sportier, more upscale, with top connectivity. Today we announced the brand-new BMW 1 and 2 Series. I am proud to show you the very first pictures. Many customers love our BMW X models. In 2016, one in three BMW vehicles sold was an X model. We will renew and expand the BMW X family with the new X3 in 2017, and the X2 and the X7 in 2018.

We have also completely renewed the MINI model line-up. The new MINI Countryman is the second MINI in the premium compact class.

Rolls-Royce is the pinnacle of luxury. The Dawn was launched in 2016. At the same time, the Black Badge models of the Ghost and Wraith are also attracting new target groups. These will be followed later in the year by the eighth generation of the legendary Phantom.

BMW Motorrad fans can look forward to 14 new models this year, in line with BMW Motorrad's ambitious goal to sell 200,000 motorcycles and scooters in 2020.

As you can see, we are going on the offensive. We are refreshing our entire product portfolio and strengthening the performance side. Our strategy will focus on the luxury segment, where there are high margins to be earned. We want to make BMW the strongest brand in this segment and increase sales and revenues in the luxury class significantly by 2020. Today, I can exclusively announce a new model series: the BMW 8 Series. The 8 Series Coupé will debut next year. It will be a genuine sports coupé. We are reinforcing our claim to leadership in the luxury class.



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Dear Shareholders,

We are passionate about the future!

Together, we are entering a new era, and you are right to have high expectations. I also set high expectations for myself – and for my team. We have launched a huge wave of mobilisation, with strategy camps for our executives, and the NEXT EXPERIENCE event for more than 14,000 employees at all management levels, including our plant supervisors. The response from both formats has been very clear: Our employees want to shape the change in our industry and are ready to break new ground. They are passionate about future mobility. This passion for innovation is part of our very DNA. It unites everyone at the BMW Group. Our values will pave the way for us into a new era.

Dear Shareholders,

I can assure you that:

BMW AG will remain an attractive investment and that it is a viable company with a strong future. Your trust gives us strength. We will continue to justify this trust in the future.

Thank you for your attention.