

Media Information
4 May 2017

- Check against delivery -

Statement
Harald Krüger
Chairman of the Board of Management of BMW AG
Conference Call Interim Report to 31 March 2017
4 May 2017, 10:00 a.m.

Good morning, ladies and gentlemen!

The BMW Group always takes a long-term approach. The business environment remains volatile and marked by uncertainty. We continue to chart our own course. To this end, we make strategic decisions and enter into partnerships. This is how we will continue to secure the future competitiveness of the BMW Group. As I said at the Annual Accounts Press Conference: We are going on the offensive. This means:

1. We have set ourselves ambitious goals for the current financial year. After the first quarter, we are on the right track. Our guidance for the full year 2017 remains stable.
2. We inspire our customers. We are launching the biggest model offensive in our company's history. This year alone, we will launch more than 20 new and revised car models; with another 20 to follow next year. There will also be 14 new BMW Motorrad models this year. Our customers will be able to choose between a wide range of different drive trains.
3. We are setting a course for the future. That is what our Strategy NUMBER ONE > NEXT is all about. We are leveraging the possibilities of digitalisation to take mobility to a new dimension for our customers. This applies to both our vehicles and services. Our production and internal processes are also becoming more digital. This will also significantly increase the speed of our actions. Our goal is clear: to be the technology and innovation leader in mobility.

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I would like to say a few words about all three of these areas. Let's start with the first topic. You know our targets for the financial year 2017:

- A new all-time high for deliveries at Group level – and a new record for Group profit before tax.
- We expect the EBIT margin in the Automotive Segment to remain within the range of 8 to 10 per cent.
- And we have also set ourselves the goal of selling 100,000 electrified vehicles.

After the first quarter, we are well on track.

- Group sales posted a record first quarter.
- Our BMW, MINI and BMW Motorrad brands also reported their best-ever first quarter.
- The BMW brand delivered more than half a million vehicles in a single quarter for the first time.
- The EBIT margin for the Automotive Segment reached 9.0 per cent.
- Our pre-tax earnings increased significantly – to more than three billion euros. As previously reported, this is mainly due to valuation effects in the financial result. We are planning high upfront investments for the full year. This will include investment in our model offensive, our locations worldwide and in future technologies, such as electrification and autonomous driving. All these factors will affect our earnings momentum this year.
- Electrification of our portfolio is a clear priority. We know from experience that customers prefer to have more choices. In the first quarter, we delivered twice as many BMW plug-in hybrids, BMW i3s and i8s than in the same period last year. Almost 20,000 customers opted for an alternative drive train. This means that electrified vehicles already account for more than three per cent of total BMW Group sales.

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When the new MINI Countryman Plug-in Hybrid arrives in summer, we will have a total of nine electrified models in showrooms.

- Our electric BMW i3 was designed for urban mobility from the ground up. Unlike series-produced models with a combustion engine, the sales curve for the i3 is continuing its upward course. In the first quarter alone, sales figures were up 50% over the same period of last year. Of course, the extended range also contributed to this.

As I have said, electro-mobility is a marathon. New models will provide us with further momentum.

- In 2018, the BMW i8 Roadster.
- In 2019, a pure electric MINI.
- In 2020, a pure electric BMW X3.

Our efforts will continue to require extensive investment.

Let's move on to the second aspect: We inspire customers.

The new BMW 5 Series sets the benchmark in connected services. It also offers a wide range of drive trains and extras. Customers like that. The 5 Series Sedan is in great demand. In the first months since market launch, we have sold more than twice as many cars than we did of its successful predecessor in the same timeframe. We are also very pleased about the strong incoming orders for the plug-in hybrid model and the M Performance variant, which have been on sale since March. In June, the successor to the popular long wheelbase version in China will become available, as well as the Touring. All these new models will generate further impetus for growth. Sales of our flagship BMW 7 Series were 50% higher than in the first quarter of last year. As you know, we want to increase our sales in the upper premium segment significantly by 2020. To achieve this, we are selectively expanding our range in the luxury class.

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- Towards the end of the year, Rolls-Royce will launch the eighth generation of the legendary Phantom. It will come with a new aluminium architecture.
- For 2018, we have announced the BMW X7 – a model with a very strong emotional appeal.
- Other new models will also strengthen our position in the high-margin luxury segment.

In addition to its new top model, the X7, the successful BMW X family will also welcome attractive new additions in other segments:

- the new BMW X3 later this year, and
- a new BMW X2 next year.

Also, the entire BMW 4 Series range has been revised. All 4 Series models, including the M4 Coupé and M4 Convertible, are even more sporty, connected and upscale. At MINI, the new Countryman has had a good start, just like the John Cooper Works model. The Plug-in Hybrid will be available in June.

On to our third topic: We are setting the course for the future.

One of the BMW Group's strengths is its high level of flexibility in all areas.

- Our balanced distribution of sales and our presence in the main market regions of the world help us offset regional fluctuations.
- For production, we can rely on a highly-efficient global network of 31 locations in 14 countries. This allows us to adjust our model mix quickly in response to changes in demand.
- When it comes to drive technologies, we prefer a broad and flexible approach. It is still too early for accurate predictions about which drive train will prevail in which marketplace, and when. That's why it's even more important for us to stay quick and ready to react.

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Strategy NUMBER ONE > NEXT will take Efficient Dynamics to the next level:
Efficient Dynamics 2.0.

- We will continue to make our combustion engines even more efficient.
- An important factor remains the aerodynamic optimisation of all our models.
- By 2025, all our vehicles with combustion engines will be fitted with electric ELV recuperation systems. This will bring a further CO₂ reduction of around 5 to 7 per cent.
- We are working on fuel cells for longer distances with our partner, Toyota.

The modern diesel drive train is also a component of Efficient Dynamics 2.0. There is much being said about diesel. However, we prefer a more fact-based and rational discussion. I would now like to say something based on the facts. One thing is certain: Diesel plays a key role in Europe's ambitious climate policy. Clean diesel vehicles of the Euro 6 generation use at least 25 per cent less fuel than comparable petrol models. Therefore they emit at least 15 per cent less CO₂. It will not be possible to meet the EU's strict CO₂ targets for 2020 without diesel. We will continue to need clean diesel drive trains in the future. That's why we equip our new models with the most modern technologies for exhaust gas treatment. As the number of Euro 6 vehicles in the market grows, diesels will account for less and less of overall particulate matter and NO_x emissions. Particulate matter is anyway only an issue for diesel cars over 10 years old without a particle filter. Particulate emissions from engines only account for a very small percentage of the total volume. However, in public discussions, "air quality alert" and "banning diesels vehicles" are often mentioned in the same breath. Without the facts, the debate about diesel creates uncertainty. Especially for the owners of older diesel models. Additionally, car owners could be motivated by the right incentives to switch to new technologies – like electro-mobility – or to newer and more efficient combustion engines.



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Big cities benefit most from an intelligent mix of solutions, for example: improved traffic flow, support for e-mobility and charging infrastructure, promotion of car-sharing with modern, low-emission vehicles, less congestion and easier parking through digitalisation, as well as environmentally-friendly buses and taxis.

As a global company, we need planning reliability for our investment decisions. The same applies to customers and their purchasing decisions. But: How is anyone supposed to make a decision when every country has different regulations - and every big city has its own concept for low-emission zones? Planning reliability comes from joint solutions. Individual mobility - and diesel - need a coherent framework – both at a national level here in Germany and across the European Union.

With our strategy, we have a clear roadmap for the future. Let me give you two current examples:

1. Autonomous driving:

We are working intensively with Intel and Mobileye on the development of autonomous vehicles. We are making good progress.

2. Electro-mobility:

We are strengthening this important future technology at our home base in Germany. We have the highest level of in-house development in electric engines, power electronics and battery, of any of our competitors.

We are now electrifying all our brands and model series. We are creating flexible vehicle architectures for both conventional and electrified drive trains. This enables us to meet the varying needs and demand in the markets. Already today, nine locations worldwide produce nine electrified models, eight of which are plug-in hybrids. From 2021, the iNEXT will be our new innovation spearhead. We have decided to build the iNEXT at our Dingolfing plant.

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Together with our Landshut plant, we are expanding Dingolfing as our second competence centre for e-mobility, alongside our Leipzig plant. Dingolfing has much experience in lightweight construction, highly complex model series and connected vehicles. The iNEXT – a larger BMW i vehicle – fits into this spectrum.

Ladies and gentlemen,

All of this shows: We are implementing our strategy, step by step. We anticipate trends in our business environment and react dynamically and flexibly to unexpected changes. Our strong financial foundation and our operational strength enable us to continue to shape our own future.

Thank you!