

- Check against delivery -

**Harald Krüger**

**Chairman of the Board of Management of BMW AG**

**Dr. Friedrich Eichiner**

**Member of the Board of Management of BMW AG, Finance**

**Klaus Fröhlich**

**Member of the Board of Management of BMW AG, Development**

**Annual Accounts Press Conference for the Business Year 2015**

**Auditorium BMW Welt, 16 March 2016, 10 a.m. - 12 p.m. CET**

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

2

*Harald Krüger, Chairman of the Board of Management of BMW AG*

## **Review of the business year 2015**

Good morning, Ladies and Gentlemen,  
Welcome to our Annual Accounts Press Conference.

On March 7, we celebrated our centenary here in Munich: 100 Years of Bayerische Motoren Werke. Our staff at all locations around the globe had a chance to participate via live stream in the celebration. We are using the occasion of our centenary as a springboard for “The next 100 Years”.

We are convinced individual mobility will remain a fundamental human need. According to forecasts, new car registrations worldwide are expected to reach around 100 million by 2020, including a growing premium segment. At the same time, mobility is going to change dramatically thanks to new technological advancements.

Our BMW VISION NEXT 100 offers a vision how we believe mobility in the next 30 years and beyond will develop. The BMW i Vision Future Interaction here on stage shows you the first steps to realizing this. Both these vehicles embody a new era of mobility – a time that will be characterized by sustainability, connectivity and automated driving.

Our aim is to continue to claim a leading position in the premium segment. However, as we see it, the mere number of vehicles sold is no sufficient measure of an automaker’s future viability. Rather we must include other key indicators to achieve a meaningful overall view of a company’s performance potential and competitiveness.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

3

For us, these key indicators include:

- sustainable high profitability,
- innovative capacity,
- customer satisfaction and
- our attractiveness as an employer.

This is the direction in which we are taking the BMW Group. But more about that later. First off, let me give you a review of the business year 2015.

I'll be addressing the following points:

1. Our performance in the business year 2015.
2. New models at BMW, MINI and Rolls-Royce.
3. Our goals for the business year 2016.

Our business environment in 2015 was characterized by intense competition, volatile markets, political challenges and the public debate about diesel technology. Within this challenging environment, we pursued our goals with determination – and achieved them.

Our premium brands are the backbone of this success. For the first time, we delivered more than 2.24 million vehicles to customers in 2015. This corresponds to a solid growth rate of 6.1 percent year-on-year. It is also a new sales record. Our brands BMW, MINI and BMW Motorrad also posted new records.

In a globalized world, we are right where the customer is. We pursue a balanced distribution of value creation for both sales and production. At approximately 45 percent of total sales, Europe is still our principal sales region. Asia accounted for about 30 percent of sales and the Americas for 22 percent.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

4

We are strategically expanding our global production network of currently 30 sites in 14 countries:

- Our second engine plant in Shenyang opened in January 2016.
- In Mexico, preparations for the construction of our new plant in San Luis Potosí are proceeding on schedule.
- We are also significantly expanding our company's biggest production site in Spartanburg, USA, to be able to satisfy the demand for our premium sports activity vehicles.
- And we continue to invest in our German plants and the expansion of the FIZ Research and Innovation Center. Around 700 million euros alone will be invested in our home plant in Munich by 2018.

The positive retail development is also reflected in the Group's key financials for the business year 2015. We generated new record highs for Group revenues, Group profit before tax and Group net profit.

- As forecast, the Group profit before tax grew considerably by 5.9 percent to a new peak of 9.2 billion euros.
- The net profit increased by 10 percent to around 6.4 billion euros.
- The EBIT margin in the Automotive Segment stands at 9.2 percent and therefore within our anticipated target range.
- Generating a profit before tax of over 1.9 billion euros, the Financial Services Segment once again made a significant contribution to the Group result.

The past year was marked by the new BMW 7 Series. This sixth generation of our flagship model is being well received by both customers and the media. From its market launch in October 2015 to the end of February 2016, we sold more than 9,000 BMW 7 Series vehicles. The 7 Series is our beacon of innovation.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

5

Its Carbon Core received the EuroCarBody Award 2015, the world's most prestigious recognition for innovations in car body construction. In Germany, it was honored with the Golden Steering Wheel Award in the luxury segment. These two models were each awarded a Golden Steering Wheel as well: The new BMW X1 in the segment of mid-size SUVs and the BMW 2 Series Gran Tourer for best family car. Both models represent the expansion of our portfolio in the growing compact segment.

Since its launch in October, the new MINI Clubman has demonstrated how the brand is developing further alongside the lifestyles of its target group. The Clubman has all it takes to be the primary car in a household. Mobility services are by now standard in today's market for premium mobility.

Our car-sharing service DriveNow is growing at a rapid pace. The fleet already consists of over 4,000 vehicles in Europe. Since DriveNow was launched in 2011, our customers have driven over 133 million kilometers – or to put it another way, around 170 times to the moon and back. By the end of 2015, a total of almost 580,000 users were registered. This year our customers can once again look forward to a whole range of exciting new models.

Alternative drives play a prominent role. At last year's event, we had BMW's first series vehicle with a plug-in hybrid here on stage. Since its market launch in late October 2015, the X5 xDrive40e shows how we are transferring BMW's 'born electric' technologies to our BMW core brand. We are now integrating the hybrid technology in additional model series, such as the BMW 2 and 3 Series. Hybrid drive also makes sense in the large vehicle classes. The new BMW 740e iPerformance is a dear example of this.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

6

This car's figures are truly impressive:

- Fully electric range: 40 kilometers.
- Fuel consumption in the current EU test cycle: 2.1 liters per 100 kilometers.
- Carbon emissions per kilometer: 49 grams.

And we are about to extend the BMW M range of the new 7 Series, something many customers have been waiting for. As early as this year, we will put the first M Performance variant of the BMW 7 Series on the road. Now M is also in the luxury class. Thanks to its supreme dynamic driving experience, M Performance is very successful with the BMW 1 and 2 Series, the X5 and the new X4.

In 2015, we initiated the realignment of MINI with a young portfolio. MINI just launched its new convertible a few days ago. It is the only premium offering among convertibles in the compact segment.

In the ultra-luxury segment, Rolls-Royce will launch the world's quietest convertible in the first half of this year. Rolls-Royce is and will remain the very pinnacle of luxury. With regard to market share, Rolls-Royce dominates the segment above 200,000 euros. The brand is strategically expanding its portfolio, also addressing younger target groups. At the Geneva Motor Show, Rolls-Royce presented the Ghost and the Wraith in a special bespoke variant – as Black Badge models. We are planning to launch a new, all-terrain Rolls-Royce model – project name: Cullinan – before the end of this decade. This model will be built on a new aluminum structure, the future basis of all Rolls-Royce models.

Let us move on from four wheels to two wheels. At present, BMW is the world's most successful premium manufacturer of motorcycles and maxi-scooters. Today's product range is more varied and more individual than ever. By 2020, BMW Motorrad is planned to grow to 200,000 units.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

7

To achieve this, we are tapping into new markets, launching motorcycles below 500 cc which are ideal for urban environment. With the G 310 R roadster, BMW Motorrad will launch its first product below 500cc in the second half of this year. Spring will see the launch of the R NineT Scrambler, a lifestyle motorcycle based on the very successful R NineT.

We have had a very good start to the year with our young and attractive product portfolio: In January and February, we sold 7.7 percent more vehicles than in the same period of the previous year. BMW Motorrad grew by 12.1 percent. Experts expect for 2016 a positive development of the world economy and growth in the car markets.

The political and economic environment continues to be significantly affected by substantial risks and uncertainties, namely:

- the high public debt in many countries;
- the current instability within Europe,
- the normalization of the Chinese market;
- the difficult economic situations in some emerging markets.

This is counterbalanced by positive expectations for 2016 regarding global economic trends and a growing automotive market.

We have set ourselves ambitious goals for the business year 2016:

- a slight increase in automotive sales;
- a slight increase in Group EBT;
- an EBIT margin in the Automotive Segment again within the range of 8 to 10 percent.

To shape the future, an innovative and highly skilled team is essential. We continue to invest in our employees. Since 2007, we have spent more than



Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

8

2.1 billion euros on training and development. In 2015, we recruited over 5,900 new people. And in our centenary year, all permanent employees in Germany will receive the highest profit-sharing bonus for 2015 within the German premium auto industry.

Our shareholders provide us with a stable foundation on which to develop the company. For the first time in our history, we are going to propose a total dividend payout of over two billion Euros.

We will strive to achieve all our targets and ensure 2016 is another successful year for the BMW Group.

Thank you.

Media Information

Date March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

9

*Dr. Friedrich Eichiner, Member of the Board of Management of BMW AG,  
Finance*

**Annual accounts business year 2015**

Ladies and Gentlemen,

A warm welcome from my side as well.

Today's success is more important than ever: It lays the foundation for the continued development of the BMW Group. We achieved our guidance targets again this year – despite a number of challenges in our business environment.

At the start of 2015, the Chinese market initially normalized faster than expected. There was also uncertainty over development of the US economy and interest rates – and massive volatility in many emerging markets and currencies. The BMW Group's success in this volatile environment reinforces its position as the world's most successful premium manufacturer. We aim to maintain and expand this leadership through further development of the Group. This is particularly important in light of the significant changes facing our industry. The BMW Group sees itself as a driving force. Our new strategic alignment was therefore a focus of attention in 2015 alongside our operating activities.

Let's first take a look at the Group's operating business performance: Higher deliveries lifted revenues over € 92 billion for the first time. This is an increase of almost 15% over the previous year. This record high was supported by currency translation effects. Adjusted for these effects however, Group revenues still rose by 7.7%. Both earnings and Group profit crossed the next billion euro threshold: The BMW Group's pre-tax earnings topped 9 billion euros for the first time at € 9.22 billion – an increase of 5.9% year-on-year. At Group level, we achieved an EBT margin of 10.0%. Group net profit also reached new levels at almost € 6.40 billion.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

10

High profitability will continue to remain a priority in the future. With a view to the challenges ahead, we have already implemented measures in 2015 that will allow us to continue to meet profitability targets in the future. We have carefully managed the company's capital employed and optimized our processes. This gives us the flexibility we need to invest in relevant future projects.

In the fourth quarter, helped by currency tailwinds, Group revenues reached almost € 25.0 billion – an increase of 10.2% year-on-year. Adjusted for currency effects, revenues increased by 5.4%. Group pre-tax earnings were 11.8% higher than the same quarter of the previous year at € 2.11 billion. Fourth-quarter profitability remained solid, with an EBT margin of 8.4%, despite high seasonal burdens.

The Automotive segment reported an EBIT margin of 9.6% for the same period. We achieved this level of profitability despite extensive expenditure on products and technology, and market volatility. This was partly due to the aforementioned efficiency improvements, as well as a solid increase in volumes.

Let's talk about our investments in future projects. The BMW Group reported total capital expenditure of € 5.89 billion in 2015 – focusing on new vehicle projects, such as the 7 Series, the X1 and the MINI Clubman. Additional upfront investments were made for the ramp-up of further new products, including the new iPerformance models, as well as in our European production network and for the plant expansion in the United States.

Through targeted investment, the company is creating the necessary conditions for future growth and the strengthening of its competitiveness. Total investment included capitalized development costs of € 2.06 billion. At 39.9%, the ratio of capitalized development costs was higher than the previous year. This increase resulted from the higher number of vehicle projects I already mentioned.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

11

The BMW Group's capex ratio for 2015 stood at 6.4% of revenue – and therefore back in line with our target of below 7% of revenue. The BMW Group has developed significantly over the last years. These investments are preparing our production network for a higher total capacity and new models for our attractive portfolio. At the same time, we are concentrating on the introduction of new and innovative technologies such as automated driving, the next phase of e-mobility and digitalization.

The significant increase in research and development expenses reported according to the German commercial code (HGB) underlines our continued focus on the future: The BMW Group invested a total of € 5.17 billion in research and development in 2015. This represents an increase of 13.2% from the previous year. As previously announced, our R&D ratio (HGB) decreased to 5.6% – or just outside our target range of 5-5.5%.

R&D spending was concentrated on ramp-ups and new vehicle projects, hybridization and lightweight design. With these investments, we are preparing our product portfolio for growing regulatory requirements. Our focus is on even more efficient combustion engines and drive train electrification. Additional points included driver assistance systems and connectivity.

The BMW Group will maintain its leading position in technology and efficiency. This remains a key aspect of our premium concept. We expect the R&D ratio for 2016 to remain on the same level as 2015.

Our investors also benefit from our business success. In this, our centenary year, the company will pay the highest dividend in its history. Subject to the resolution of the Annual General Meeting, the company will pay a total dividend of more than € 2 billion for the first time. A dividend of € 3.20 per share of common stock and € 3.22 per share of preferred stock will be paid. The dividend will be 30 cents – over 10% – higher than the previous year.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

12

In total, 32.9% of our net profit for the year will be paid out to shareholders. This means that our shareholders are currently earning a dividend yield of nearly 4% on common shares - and almost 5% for preferred shares.

Now, let us take a look at business development in the segments.

First, the Automotive segment. Automotive segment revenues for 2015 climbed to € 85.54 billion. This increase of 13.8% reflects higher sales volumes and positive currency translation effects. Adjusted for currency effects, revenues were up by around 6%. BIT for the Automotive segment rose 8.2% year-on-year to € 7.84 billion. The EBIT margin of 9.2% remained within our target range of 8-10% as forecast. Here you can see the bridge from 2014 to 2015 EBIT. We were able to increase our operating result, despite challenging conditions.

Higher volumes and the net result of raw materials and currency effects had a positive impact. Pricing and the vehicle mix had a slight negative effect compared with the previous year. These items led to € 982 million additional EBIT over the previous year.

This year, we expect full availability of the 7 Series Sedan to improve the mix. In addition, higher depreciation had a negative effect of € 479 million on earnings last year. The item "Other changes" represents the net balance of efficiency improvements and upfront investments and higher personnel costs. Measures to improve efficiency and cost-steering more than compensated for high upfront investments in future projects and other charges.

And this will remain our course in the future – as we continue to optimize our cost base. In this way, we will be ready for future challenges and opportunities. As in recent years, this will take place in a consistent and structured manner. Let us now turn to at the cash flow for the Automotive segment:

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

13

Higher net profit and the effect of increased depreciation boosted free cash flow in 2015. In fourth quarter, we reduced working capital by significantly lowering inventories. Free cash flow totaled € 5.40 billion at the end of 2015. This performance shows just how attractive and effective our business model is.

For 2016 and the medium term, we maintain our target of more than € 3 billion. Our financial strength enables us to develop new technologies and strengthen our competitiveness. It also provides a solid foundation in case the economic environment deteriorates.

The BMW Group's liquidity position once again remained extremely solid in 2015. At the end of the year, Group liquidity totaled € 11.38 billion.

The BMW Group therefore has sufficient funds and flexibility for its business activities and further growth. This also provides our financial services business with a solid footing.

Continuing with the Financial Services segment: BMW Group Financial Services continued to expand its financing business in 2015. Almost 1.66 million new contracts were concluded with retail customers in this segment in 2015 – 9.7% more than in the previous year. The total business volume, as shown in the balance sheet, climbed 15% to € 111 billion. This is driven by business development – especially in the US, China and the UK. In these markets, new contracts benefitted from positive translation effects. Overall, 46.3% of new BMW Group vehicles were leased or financed by Financial Services.

The penetration rate is therefore 4.5 percentage points higher than the previous year. We benefitted from attractive refinancing costs in 2015 and will continue to do so this year.

Earnings before tax reached € 1.98 billion – an increase of 14.6% from the previous year.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

14

Earnings were further driven by the high number of new contracts and portfolio from previous years. This was offset by upfront investments in future growth and further development of our IT infrastructure. Financial Services made targeted investments to support continued growth. The main increases came from workforce expansion and investment in large-scale IT projects, including measures needed for fulfilment of regulatory requirements, as well as further expansion of business structures in China.

The return on equity for the segment increased nevertheless by 0.8 percentage points to 20.2%. Our balance sheet equity ratio stood at 8.2% at the end of the financial year, maintaining our solid equity base.

BMW Financial Services also benefitted from a largely unchanged risk situation in 2015. The segment's risk portfolio saw stable development overall. The credit risk situation varied between markets, but remained largely unchanged on the whole. The credit loss ratio for our credit portfolio further improved to 0.37%. This is 13 basis points below the previous year's figure. Overall, there were no major changes in residual value risks. The individual markets for our off-lease vehicles however developed unevenly. Due to the high volume of used cars, pricing in the US has – as expected - deteriorated slightly recently. This development will likely continue in 2016.

In our second-largest leasing market, Germany, however, Financial Services achieved higher used car prices. The improvement in residual values here has partly offset the trend in the US. We are confident that Financial Services has recognized an adequate level of risk provisions. The segment conducts detailed risk analyses on a regular basis and adjusts its risk provisions accordingly. We expect the risk environment to remain largely stable in 2016, but cannot rule out increased volatility. From today's perspective, we believe the segment is well prepared for credit and residual value risks.

Media Information

March 16, 2016

Date

Subject Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page 15

I would now like to move on to our Motorcycles segment.

2015 was the fifth consecutive record year for BMW Motorrad. The brand delivered almost 137,000 motorcycles to customers – 10.9% more than the previous year. BMW Motorrad is the only German motorcycle manufacturer and market leader in 26 countries in the segment for premium bikes above 500 cc. With higher volumes and better profitability, BMW Motorrad reported significantly higher pre-tax earnings of € 179 million. This represents an increase of 67% over the previous year. The segment achieved an EBIT margin of 9.1% for 2015. BMW Motorrad is targeting further growth this year with its new and attractive models.

Finally a look at Eliminations.

Eliminations cover the consolidation of inter-segment transactions – primarily between the Automotive and Financial Services segments. Pre-tax earnings were negative € 664 million. This negative balance increased by € 501 million from the previous year, due to higher eliminations of intercompany profits from stronger leasing business and mix changes. The previous year had also benefitted from positive effects that were not repeated in 2015 and therefore resulted in a more negative balance compared with the previous year.

The BMW Group will continue to capitalize on selected opportunities in 2016 and prepare itself for the future. We will use our financial strength to implement change including necessary capital expenditure and other upfront investments. Despite these burdens, we intend to maintain our profitable growth to remain the world's leading premium manufacturer. We anticipate an overall positive business development for 2016. Provided conditions do not deteriorate, the BMW Group is targeting a slight increase in pre-tax earnings compared with the previous year.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

16

Assuming conditions remain unchanged, we also expect to see a slight increase in automotive deliveries. Our new and revised models will provide the momentum for this in a positive market environment. However, should these development assumptions not be fulfilled, our guidance could change.

We also anticipate a slight increase in Automotive segment revenues in line with deliveries. We continue to aim for an EBIT margin within our target range of 8-10% for the Automotive segment. We maintain this target despite high capital expenditure and upfront investments. However, actual margins could be below the targeted range if political or economic conditions turn unfavorable.

In the Financial Services segment, we expect return on equity to remain on a par with last year– despite growth-related investment and (fixed) costs in the segment.

BMW Motorrad is also expected to continue its positive business development in 2016. With our attractive new models, we expect to see a slight increase in deliveries compared with the previous year.

The guidance assumes that political and economic conditions remain stable. We expect increasing volatility and will respond in a flexible manner.

Ladies and Gentlemen,

Our financial strength creates the right conditions for the company's future competitiveness. We will continue to make the necessary investments for this in 2016 and the following years. In the future, the BMW Group's leading position should additionally be measured by its strength in innovation and profitability.

Thank you.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

17

*Harald Krüger, Chairman of the Board of Management of BMW AG*

## **Strategy Number ONE>NEXT**

Ladies and Gentlemen,

The individual mobility of the future is an exciting but also highly complex endeavor. Ultimately, what we do is inspire people, accompanying and supporting them and making their daily lives more convenient. The BMW Group is a company that has focused on the long term for the past 100 years. And this will continue to be our approach in the future. With our Strategy Number ONE>NEXT, we are looking ahead to the year 2020 and beyond that, up to 2025.

Our corporate strategy guides our actions. It allows us:

- to identify trends in our business environment early on;
- to set ourselves ambitious goals and swiftly determine the actions necessary to achieve them;
- to improve our existing operations continuously and to tap into profitable new business areas;
- to ensure a corporate culture within the company which provides the ideal basis to implement strategic measures successfully.

Since 2001, the BMW Group has focused solely on premium with its three brands BMW, MINI and Rolls-Royce. Since 2007 and the introduction of Strategy Number ONE, the company has grown to a new level. We have developed successfully from being the leading manufacturer of premium vehicles to becoming the leading provider of premium mobility and services.

Over the past few years, however, our world has continued to change – even faster and more dramatically than ever before.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

18

Today, we are operating within a completely different setting. The update of our Strategy is based on the transformation taking place in our industry. Our starting point was a comprehensive analysis of trends. Consequently, we have identified seven fields of action relevant to the BMW Group. One of them is digitalization. New technologies create new opportunities for the automotive industry, but also pose major challenges. The value creation is shifting from the actual hardware toward software and services.

We can feel the changes in all business areas along the entire value chain. Mastering them requires new skill sets. This development is also changing the new competitive situation in our industry. In addition to the very intense competition in the premium segment, established carmakers are now confronted with competitors from outside the industry. These companies are characterized by a highly dynamic structure, an aggressive approach and substantial financial leeway. They focus exclusively on future technologies and work with the data of their customers.

As a result, there are changes at the customer interface, which is so vital to us. In this digital day and age, a decisive role is played by data and the added value for customers which can be generated from that data. How data is handled has a major impact on the overall customer experience. This is an opportunity for established carmakers to set themselves apart from new competitors. In the past we have always adjusted to customer-specific needs.

Within a complex competitive environment, the cost competition will only intensify. Operational excellence is imperative to being able to increase efficiency further and to invest in the future. When it comes to drive train technologies, for instance, we will continue to follow a multi-track approach that allow us to comply with the increasingly strict legal regulations on emission reductions all around the globe.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

19

We will have to succeed in these efforts within a highly volatile environment. Maximum flexibility is needed to stay our course in an uncertain environment. We have taken into account all the trends I've just listed. The update of our strategy has followed a dynamic, evolutionary approach – including disruptive elements. It's simply called Strategy Number ONE>NEXT.

The transformation of traditional mobility is a process – one that will extend over a longer period of time, even though the pace will increase exponentially over the course of this development. We are leading the BMW Group into a new era. To this end, we leverage innovative technologies, comprehensive connectivity and zero-emission mobility. All of these need to be industrialized, bearing in mind our business responsibilities, and in a sustainable manner, which in itself is another great challenge.

Previously Strategy Number ONE was depicted by a house with four columns. Strategy Number ONE>NEXT is represented by a more dynamic structure – this arrow. Its asymmetrical form illustrates the need to think out of the box. The arrow pointing to the future consists of four elements: Vision, competitive advantage, strategic compass, corporate culture.

Our new vision is: We are Number ONE. We inspire people on the move. We shape tomorrow's individual premium mobility.

In a competitive environment, we rely on our inherent strengths: We unite excitement, responsibility and success. We have the most emotional products and attractive services. We offer the best customer experience with the most aspirational brands in the premium segment.

We aim to secure our long-term success and to set standards amongst our competitors.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

20

To this end, we have defined six key focus areas:

- Brands & Design;
- Products;
- Technologies;
- Customer Experience & Services;
- Digitalization;
- Profitability.

These elements are derived from the trends I mentioned earlier, and anticipate a fundamental transformation of our industry. Let me comment on Brands & Design, Products, Customer Experience and Digitalization.

Premium is to a large extent defined through the presence and strength of the brands. Design plays a vital role here as it is a differentiating feature. Our goal remains unchanged: to lead in terms of brands and design. A comprehensive brand orchestration management – including clearly defined roles – is the basis for our operations. In the future, we will secure the ideal outcome by applying a Group perspective to all our decisions on new products and services.

This is the prerequisite for taking our design to the next level and for determining the ideal time for the market launch of new products. This Group-wide interaction will enable us to achieve much more. We already occupy a future-oriented position in the market with our brands and products, covering all requirements in the premium segment.

With Strategy Number ONE>NEXT, we will expand our product portfolio in all brands and all segments.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

21

This includes:

1. The market leadership in the upper segments.
2. The expansion of the BMW M product program.
3. The expansion of the BMW i lineup.

Let me be clear: BMW is and will remain our core brand. Leadership in the luxury class strengthens the BMW brand's premium positioning. Over the course of the next few years, we will strategically launch new BMW products in the market, accompanied by BMW M and BMW i models. A good example is the BMW 7 Series with its iPerformance and M Performance variants.

They demonstrate: how our technologies are charting the future course of the luxury segment, that we are responding to the different wishes expressed by our customers and that we offer Sheer Driving Pleasure in many different forms. The luxury class will remain a high-margin segment, so we intend to enhance our presence by adding another new model.

Our BMW X model range is becoming more and more popular with customers. We have already announced a new addition to this lineup: the X7, due out in 2018.

On to my second point:

BMW M is another example where high demand and profitability come together. Since 2010, sales of M and M Performance vehicles have approximately quadrupled. It is not only an obvious choice from a business perspective to continue investment in this field, but it will also benefit our customers. New M and M Performance models will be put on the road as early as this year. One example is the new BMW M2 Coupe to be launched in April, which is geared especially toward younger customers. The new BMW M4 GTS comes in a limited edition of 700 units and has already sold out.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

22

We are planning to close any gaps in the M portfolio. We also see growth potential in M Performance. In the future, M Performance will have a significantly wider share in our model portfolio. As you can see, we are taking advantage of the growth potential in the high-margin segments. After all, the evolution will continue to fund the revolution in the coming years.

Let's move on to the third point:

The expansion of BMW i. With BMW i, we have managed to very quickly create a globally known brand that embodies sustainability. Since its introduction in 2013, we have delivered more than 50,000 BMW i vehicles to customers. Today, the BMW i lineup has a larger market presence than any other electric vehicle. BMW i assumes a key role as an enabler for our BMW core brand: BMW i attracts new customers to BMW. BMW i gives people easy access to electromobility as part of DriveNow. 20 percent of our car-sharing fleet is already fitted with an electric drive. BMW i is also instrumental in tapping new sales strategies via new channels or internet orders.

Our viewpoint on e-mobility is clear: Electro-mobility delivers a solution to the demands of urban mobility, today and tomorrow. We are charting a clear course, and we will continue to do so. We are further expanding the BMW family. An additional i3 model will be offered from the second half of this year on: Its battery capacity has increased by 50 percent. And we have also revised the design.

In 2018, we will launch an emotional brand shaper based on the i8 – the BMW i8 Roadster. The next few years will see further progress in terms of the vehicles' range, for both BEVs and PHEVs.

The knowledge and experience we gain through BMW i flows as appropriate into our entire range. That's what iPerformance stands for. In the future, we will offer

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

23

all BMW models with a plug-in hybrid drive under this label. From July onward, customers will be able to choose from a total of seven BMW models that are either fully electric or fitted with a plug-in hybrid drive. Additional electrified models are due out in the following years. One of them will be a MINI with a plug-in hybrid drive. And of course our iPerformance customers will also benefit from the BMW 360° ELECTRIC offering, including a wall-mounted rapid-charge box and ChargeNow, the world's largest network of public charging stations.

A completely new i model is scheduled to follow early in the next decade. We call it BMW i NEXT. This highly innovative model will be BMW i's new spearhead of innovation and technology. It will enable us to take BMW i to the next level. In doing so, we rely on our experience in electro-mobility. The i NEXT will cover all aspects relevant in the future: autonomous driving, digital connectivity, intelligent lightweight construction, a trendsetting interior and the next generation of electro-mobility.

One key strategic approach is Technologies. Digitalization has brought about technological possibilities that can make driving more comfortable and most of all safer. On top of that, they connect mobility with all other areas of life. We are determined to assume the leading role in the digital transformation of the automotive industry. More about this essential topic from Mr. Fröhlich in a moment.

But for now, let's move on to the strategic approach of Digitalization.

Digitalization is the most effective driver of the transformation in the automotive industry – as it impacts all areas of our company. This is why we have decided to focus on three priorities: Digital customer experiences, connected and autonomous driving and business processes.

Digitalization means we will be better able to anticipate and meet our customers' needs. In the future, we want to offer people tailor-made products and services

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

24

along the entire customer lifecycle. These features will increase customer loyalty and the customer lifetime value.

In this context, it doesn't matter if our customers' point of contact is real or virtual. Because in the future, the crucial point is to have a diverse and innovative offering of premium services for individual mobility. The BMW Group has incorporated mobility services and digital services in its business model early on. Just think of DriveNow, ParkNow and ChargeNow. And we will continue to expand our offerings in these fields – to make them more convenient and thereby simplify our customers' mobile life. One option would be to complement our existing car-sharing program with a premium ride-sharing service.

I'd now like to invite Klaus Fröhlich to explain more about our plans.

Media Information

Date March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

25

*Klaus Fröhlich, Member of the Board of Management of BMW AG, Development*

Ladies and Gentlemen,

Harald Krüger has already explained to us the challenges and opportunities in our business environment and the focus of Strategy Number ONE>NEXT. What I would like to do is outline the four strategic directions we will adopt as we implement our strategy. Why do we think this is important?

1. Implementing our technologies will give us a competitive advantage over other manufacturers and new players entering the automotive business. And in terms of Digital Services, we are going to lay the foundations required to offer our customers a superior service range that exceeds their needs.
2. For those of us who work in BMW Group Research and Development, the future is already here today. We first took to the road with autonomous driving in 2011 – and even used our systems on public roads. Right now, we are already developing our fifth generation of electric motors, due for launch in 2020.
3. From highly emotional design to the interaction with and use of our vehicles, we want to be even more rigorous in adopting the customer's perspective on our products. That's why we have redesigned the way we work.

For Research and Development at the BMW Group, this means: We are evolving from a mechanical engineering business to a tech company. That's why I would like to start by taking a brief look at the technologies we are already offering today to address two key megatrends: alternative drivetrain systems and digitalization.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

26

Strategy Number ONE, which we launched in 2007, laid the foundations for sustainable drivetrain systems with EfficientDynamics and project i. Today, the BMW Group has the most extensive portfolio of electric motor drivetrains in our competitive field.

With iPerformance, we have been able to make these drivetrains an integral part of our architectures. As modular systems, they ensure maximum flexibility for our range of conventional and alternative drivetrain systems for the next ten years – so we can meet not only customer needs but also the legal requirements that are developing.

Our new 7 Series is the first model to feature our highly flexible cluster architecture. The digitalization features in it are impressive evidence of our innovativeness and include: Remote Control Parking, the Active cruise control and Steering and lane control assistant, which can take over from the driver to control longitudinal movement as well as lateral movements to 210 km/h. Various control options like natural speech recognition, gesture, touch, and iDrive units, the broadest spectrum of ConnectedDrive Services, right through to over-the-air updates for various vehicle functions.

However, at the BMW Group, when we look ahead to the future, we look far beyond what's around the next corner. As stress and traffic levels rise and time becomes increasingly scarce, how are we going to deliver sheer driving pleasure in the future?

At this year's CES, I presented our vision of connected, autonomous driving – with this car right next to me, the BMW i Vision Future Interaction. Before it even sets off, this vehicle has set its interior temperature to the ideal level. It also knows the best way to go, and suggests various parking space available to reserve. It also has all the latest information, fed to it from the Cloud – such as real-time maps from HERE – or from its own sensors.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

27

So the journey is not only simpler but also safer. In autonomous mode, the interior transforms into a spacious state-of-the-art office for comfortable communication. In this concept car, we realized the interior of the future – because when vehicles are connected and drive themselves, our customers will experience and use the interior in a completely new way.

We come now to Strategy Number ONE>NEXT: Our development division wants to ensure the BMW Group remains technology leader:

To achieve that, we are going to restructure our operations with a strong focus on two key future topics:

1. Powertrain technologies with EfficientDynamics NEXT and the development of electric vehicles powered by battery or fuel cells.
2. Digitalization with enhanced connectivity, artificial intelligence and the development of self-driving premium vehicles.

Let's take a closer look at the first of these two points: powertrain technologies.

Regulations and society are changing faster and faster, so this point is of major importance to us. Efficient Dynamics is all about combining power and efficiency in equal measure. Over the last few years, we have consistently enhanced our Efficient Dynamics technology package, and still see a number of areas with significant potential for us. With EfficientDynamics NEXT, we are making the benefits of this technology package even easier for customers to experience in our combustion-engined vehicles. We're doing so through additional functions to enhance emotive dynamics and efficiency. Two examples are the Boost function, for extra-dynamic acceleration, and the comfortable engine Start-Stop function as well as intelligent, anticipatory assistance systems that help our customers manage their personal mobility even better – by predicting changing traffic signals, for example.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

28

There's one thing I am sure of: Over the next 20 years, we will still have more than just one type of drivetrain system. Another reason why we will still need to offer our customers a range of drivetrain systems is the different requirements in the different markets around the world. These mean we will need revolutionary alternative systems just as much as evolutionary conventional ones, and hybrids.

The BMW i3 and BMW i8 have made us a trendsetter in electric mobility. Over the next few years, we will be adding to our i family, with iPerformance ensuring technology transfer into our series models.

To do this, we will offer electric models in nearly every BMW series. Our latest plug-in hybrids incorporate our third generation of modular electrification systems. And development work is already under way on our fifth generation for 2020+.

Enhancing and electrifying our conventional engines will allow us to continue meeting, our CO2 targets even in the future. However, our customers also expect us to offer larger vehicles with alternative drivetrains and far more range. To meet their demands, we are enhancing not only our battery cell technologies but also hydrogen fuel cell technologies. At the moment we are testing a small fleet of hydrogen-powered BMW 5 Series GTs. These cars accelerate from standstill to 100 km/h in 8.4 seconds, with a top speed of 180 km/h. They have a range of between 450 and 700 km, depending on their tank technology.

Customer focus means two things to us: One the one hand, it means continuing to offer customized drive train solutions. On the other, it means viable implementation of those solutions, with maximum synergies and minimum complexity between technology paths. One example of this is the fuel-cell, which is an electric drivetrain in which the battery has just been largely replaced by a fuel cell system.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

29

That's why we have taken deliberate steps to broaden our core expertise in the field of powertrain development.

We come now to our second future topic: Digitalization.

'Digitalization' is the word of the moment. Everybody is talking about it.

Translated quite simply into the context of the automotive industry, three strands of action emerge:

1. Business processes: these are the processes by which we develop, produce and sell our vehicles. In the future these are going to change fundamentally – not only within the BMW Group but also in the way we network with our partners from suppliers to service providers.
2. Competition for customers: the internet, with its minimal transaction costs and wealth of data, is making competition tougher all the time. So for our Digital Services, we need to develop the best possible understanding of the customer and superior technical solutions, for example through artificial intelligence.
3. The vehicle of the future will be fully networked and self-driving.

Today, allow me to focus on this last point:

Connectivity is a key prerequisite for the vehicle of the future. Our products already have their own integrated SIM cards today, making them an integral part of the Internet of Things. And our digital services and apps, called BMW ConnectedDrive, are already connecting our customers with various areas of their lives. What we now want to do is seamlessly interconnect our customers

Media Information

Date March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

30

with their cars, customized services and the world around them. Direct interactions with our customers are of key importance.

However, one thing is perfectly clear: Vehicle and data security are our top priority. That's why, moving into the future, we will link every vehicle with a BMW backend server to keep customers' details secure, with firewalls, encryption and anonymization. From our customers' perspective, future connectivity will have a name: BMW Connected – the name of their customized digital companion.

In years to come, our customers will have all the important mobility information they need – at home, in the car, when they are out and about on foot, or using public transport. It will always be up to date and constantly accessible via any end device. Moreover, with the help of the integrated Mobility Cloud, we will learn more and more about what they want and need, and be able to customize our mobility services accordingly. This will allow us to offer the best services in our field of competition. That's our goal.

BMW Connected will launch before the year is out. In the future, vehicles will be intelligent and able to drive themselves. For us, this is once again a question of customer benefit – because we want our customers to decide for themselves how they will drive. Without freedom of choice there can be no sheer driving pleasure. We have been working on autonomous driving for more than ten years.

Our first test vehicle autonomously completed a lap of the Hockenheimring race track in 2006. In 2009, a test vehicle navigated the 73 bends on the Northern Loop of the Nürburgring – autonomously and at racing speed. In 2011, a test vehicle drove on the A9 from Munich towards Nuremberg – without any driver intervention. And now, starting with the new 7 Series, we are gradually introducing elements of highly autonomous driving into our series vehicles.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

31

However, we firmly believe that this decade will not see large-scale production of an autonomous vehicle that meets the premium needs of our customers. The most we foresee is pilot tests in a restricted setting. We believe that, at the moment, the technical and social challenges involved are still too great. In addition, adjustments must be made to the legal implications for customers and manufacturers.

The BMW Group has a clear goal: To be the leader in the field of autonomous driving. This is a goal we are rigorously pursuing, and we are working systematically to establish the conditions that are needed. Our high-precision map service, HERE, offers real-time data to all customers, with millions of anonymized data items enhancing map quality all the time. This will allow the BMW of the future to move around using the latest digital environment model with an augmented digital horizon. The intelligent vehicle will warn the driver of danger ahead and prepare well in advance. We are also improving our vehicle sensors to pick up even more detailed information about the immediate surroundings. And to interpret the data we collect, we will make comprehensive use of artificial intelligence, not only in the vehicle but also in the BMW backend server. In addition, we will work proactively to help clarify the general conditions necessary for autonomous driving. Our goal is to realize autonomous driving within a holistic end-to-end approach. And that sets us apart from other companies.

I said at the beginning of my speech today that: We are working to ensure that the BMW Group remains technology leader. We know what we need to do. We are going to develop the vehicles of the future. And we are going to develop and enhance our own division as well.

Project i brought us sustainable mobility – with breakthrough innovations in the fields of electrification, lightweight engineering and sustainability. Strategy Number ONE>NEXT marks the launch of Project i 2.0. Our goal is to achieve a

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

32

sustainable, fully networked, self-driving vehicle. That's why our development division has now been restructured and enhanced – to consistently reflect digitalization.

Harald Krüger mentioned the i NEXT. This vehicle will take our strategy out onto the road with convincing results: Developed with consistent lightweight engineering, alternative drivetrains, fully connected and highly autonomous driving and a futuristic interior.

In the years ahead, the i NEXT will be what our BMW 7 Series is today: individual mobility in its finest and most contemporary form.

Thank you very much.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

33

*Dr. Friedrich Eichiner, Member of the Board of Management of BMW AG,  
Finance*

Ladies and Gentlemen,

We want to maintain our leadership – both in terms of our strength in innovation and competitiveness.

The digital transformation of our industry offers huge potential. To seize these opportunities, we will need to invest in the future – using our own resources and simultaneously maintaining our profitability.

We have already begun to become more efficient: in development and production as well as at our customer interface. Our clear strategy and our employees' outstanding expertise and commitment provide a solid foundation for our future success.

Nevertheless, we also have to consider external factors that could impact our future success. The main challenges we see currently are stricter regulatory requirements, as well as difficult market and competitive conditions. We also have to contend with increased volatility in the global economy and other key areas, such as currencies and raw material pricing.

Our strategy is designed to achieve a balance between investment in the future and profitability. We want both: to maintain our current high level of profitability whilst laying the groundwork for the future.

By focussing on profitability, and the measures needed to achieve it, we aim to keep profitability within our target range over the long term.

After a period of strong growth, we are now optimising our core business. We want to ensure our business model remains fit by accelerating decision-making

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

34

processes and building leaner structures. Our experience in new business fields like BMW I provides valuable input to this end.

This will give us the flexibility to really focus on the future. We plan to refine our business model, so that we can continue to offer our customers the most attractive, most desirable products and services in the future. That is our vision and our motivation!

I would like to give you some examples for measures and initiatives that are in implementation. On the performance side, we aim to strengthen profitability: Our product strategy is focused on expanding our vehicle portfolio in the higher-margin segments.

The BMW brand, for example, will make the biggest gains in the luxury class and the dynamic M market. This will be complemented by new offerings in the fast-growing SUV segment. The higher-quality product mix will support our level of profitability.

We also expect digital, customer-centric technology solutions to make a growing contribution to earnings: Attractive, user-friendly solutions for automated driving and innovative services will make our customers' lives easier and safer. These kinds of solutions add value and, therefore, have their price.

We will also optimise our cost structures by increasing productivity and enhancing our operational excellence – beyond the usual annual increases in efficiency.

A great deal has been achieved in recent years through diverse profitability initiatives in all divisions. That is driven by standardisation, process improvement and prioritisation.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

35

Our approach is based on uniform, optimised processes starting from the development phase.

In addition, we will enhance our use of product and process modules, as well as shared vehicles and drive systems architectures – making development and production more efficient.

By way of an example, the new rear-wheel-drive architecture introduced with the new 7 Series provides the basis for cost optimization across multiple future models.

At the same time, we will also make a conscious effort to reinforce the high quality and innovative character of our portfolio. Both are important purchase criteria for our customers and an integral part of our premium standards.

In the mid-term we expect to become more efficient by starting cooperation between our purchasing, production and sales and marketing divisions at an even earlier stage, which will help better deliver on the requirements of each division.

A good example of this is the Simplify Initiative, based on the idea of consistent simplification. Its main aim is to reduce both costs and complexity.

We are currently identifying potential to further optimise our vehicle portfolio. Starting with true customer requirements, we will take a hard look at both variants and equipment options.

This will allow us to lower costs and reduce complexity in development, production and aftersales –without detriment to the customer.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

36

The new positioning of the MINI brand, with five core models, is one example of how we can reduce complexity. Going forward, MINI will offer fewer, more independent models, with a sharper profile. In line with this thinking we have decided not to offer successors to three existing models.

Based on our Simplify approach, we expect an overall significant reduction of complexities and one-off expenditures. In figures, we anticipate savings in the three-digit-million euro range over the coming years.

In production, the structures and processes we use are increasingly standardised. We are now able to use virtually uniform production processes, systems and machines worldwide.

Standardised processes will lead to efficiency improvements and result in economies of scale in purchasing as well as a higher manufacturing quality.

Furthermore, our new production systems can also be used for longer – beyond a single lifecycle. All of this has a positive effect on both capital employed and capital expenditure.

We also anticipate cost benefits from the digitalisation of production and logistics. Developments in Industry 4.0 will enable new and less cost-intensive production methods. Such efficient methods and processes have already been realized in the planning of new production sites, such as in Mexico, thus serving as a best-practice solution for all our international plants.

One example you are probably familiar with is the lightweight robot that works alongside employees without a safety guard. We expect the application of new robots and modern development and production methods, such as virtual reality, data goggles and 3-D printing, to yield further efficiency potential in the future.

Media Information

March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

37

The BMW Group is growing on a global scale. The company is pursuing a targeted approach to establish production capacity and supplier relationships in countries with growth potential. This not only makes us more robust and more flexible, but also enables us to exploit the competitive advantage of international locations. China and NAFTA are a particular focus.

We will implement both – a long-term, profitable, traditional business model and a shift towards new technologies and business segments. We will achieve this within our own financial means. This two-pronged approach requires even greater operational excellence, productivity and efficiency from the BMW Group. Not to mention a high level of agility, a willingness to change and a passion to embrace new technologies and processes.

We will naturally set ourselves ambitious financial targets to assure the company's long-term profitability – with clear milestones up to 2020. In recent years, the BMW Motorrad segment and Financial Services, in particular, have made a growing contribution to earnings and improved the company's profitability as a whole. This will remain our focus in the future.

In acknowledging this development, the BMW Group will introduce additional key performance indicators from the year 2017 onwards: At Group level the company will target an EBT margin of at least 10%. The Motorcycles segment will adopt an EBIT margin target range of 8-10%.

In the Financial Services segment, we will maintain our target of a return on capital employed of at least 18%.

Our target ratio for R&D activities remains within the 5-5.5% range of revenue, as before.

There has been a change in the definition of our capex ratio, which will no longer include capitalised development costs. The target for this ratio will be less than

Media Information

Date March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

38

5% of revenue. In 2015, this ratio was at 4.2%. We will drive cost discipline, hand-in-hand with extensive investment in future projects.

However, securing our innovative strength, it is possible that we could exceed the targeted range by exception in selected years.

And finally: the free cash flow for the Automotive segment is targeted to be over € 3 billion per annum.

These financial targets assume that overall political and economic conditions remain stable.

The BMW Group is embarking on the next 100 Years with a clear strategy towards future growth and success.

We will transform our business based on our independence and strength. We have the financial power, the relevant know-how and we are ready to embrace change.

Thank you.

Media Information

Date March 16, 2016

Date

Subject

Statements Harald Krüger, Dr. Friedrich Eichiner, Klaus Fröhlich  
Annual Accounts Press Conference for the Business Year 2015

Page

39

*Harald Krüger, Chairman of the Board of Management of BMW AG*

Ladies and Gentlemen,

The implementation of our Strategy Number ONE>Next relies heavily on a well-functioning/excellent corporate culture that supports and perpetuates this further development.

The BMW Group has a strong corporate culture. It is characterized by solidarity and our people's strong identification with the company and its brands. However, to prepare for future challenges we have to develop further. We respond to our highly dynamic environment by applying our strengths. At the same time, we will significantly step up the momentum when it comes to being more flexible and agile during the transformation of our industry.

All of that must be reflected in our corporate culture – and by that I mean: in our structures and processes, but first and foremost in our actions. So we have defined five values, which will be vital in our future cooperation: Responsibility, appreciation, transparency, trust, and openness.

These values provide a sound foundation for our implementation of Number ONE>NEXT.

Thank you!