

Media Information
5 August 2014

- Check against delivery -

Statement

Dr. Norbert Reithofer

Chairman of the Board of Management of BMW AG

Conference Call Interim Report to 30 June 2014

5 August 2014, 10:00 a.m.

Ladies and Gentlemen!

Since July, Europe has a new parliament. The new European Parliament and Commission have to set the course for the future.

Together all the EU countries are facing some enormous challenges:

- How can the EU keep up its productive efficiency and remain competitive with the other large world regions, Asia and America?
- How can the EU keep up a strong industrial base, which is the prerequisite for growth, jobs and social stability within Europe?
- How can the EU ensure its innovative lead with regard to key future technologies such as sustainable mobility?

If we are not able to offer viable solutions to all these questions, Europe as a business location will continue to lose ground.

In order to hold our own when it comes to global competition, Europe must remain an open market and an advocate of free trade.

This is why the BMW Group is supporting the efforts to conclude a free trade agreement between the EU and the USA.

We at the BMW Group are fully convinced that our future lies in a strong and united Europe.



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It is the joint task of government, business and society as a whole to develop solutions that are long-lasting.

The automotive industry is one of the leading drivers of the European economy.

Thanks to our industry's innovative strength, the automotive sector has been able to create around 12 million direct and indirect jobs in Europe.

This makes the car industry the EU's largest employer.

It is also the EU's biggest exporter.

For the first time since the global financial and economic crisis, car registrations in Europe are expected to pick up again this year compared with the previous year.

In both Spain and Portugal, as well as in the UK, the number of people buying a new car is increasing considerably.

For the BMW Group, Europe is much more than just the company's largest sales region.

Europe is where we produce around 70 percent of our vehicles – at 16 sites in four countries, including contract manufacturers.

European politicians have set the strictest CO₂ requirements for vehicles worldwide.

At the same time, Europe offers very little in terms of incentives to promote sustainable mobility compared with other major economies.



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We Europeans should seize the opportunity to take the technological lead in the shift towards sustainable mobility.

This is about striking the right balance.

We need to restore a balance that will help us master the permanent tug-of-war between ecological requirements, social demands and industrial policy matters.

Because the world is changing.

There are still tremendous risks to the global economy.

These range from public debt to re-flationary monetary policies and political conflicts.

Growth in countries like Japan and major emerging markets is slowing down.

Competition is getting tougher and tougher every day and our business environment continues to be extremely volatile.

As the leading premium car company, our goal is to achieve long-term growth.

At the same time, we want to be – and remain – profitable.

For 2014 experts expect:

- Growth in the global economy.
- Growth in the global car market.

In the light of these forecasts, we are confident about the business year 2014.



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We aim to build on our growth momentum of the past years.

Our **targets** for the business year 2014 are clear:

1. A significant increase in deliveries to a new record high of over two million vehicles.
2. A pre-tax Group result at a level significantly above the previous year's.
3. An EBIT margin in the Automotive segment in the range of 8 to 10 percent.

Let me give you a brief overview of the key figures for the first six months of 2014:

1. Sales:

We have sold more cars of our three brands BMW, MINI and Rolls-Royce in the half-year period than ever before. And, for the first time, we exceeded the mark of one million cars in mid-year sales.

- Our core brand BMW also achieved a new record during this period selling more than 866,000 cars. The BMW 3, 5 and 6 Series as well as the X5 are clear market leaders in their respective segments.
- BMW Motorrad also reached a new all-time high for a six-month period as well.
- Rolls-Royce recorded the best first half year in its history.



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- At MINI, sales figures were affected by the model update of the Hatch.

2. Pre-tax Group profit:

We achieved a result of over 4.8 billion euros, up significantly from the same period last year.

3. Group net profit:

The net profit increased to more than 3.2 billion euros.

4. EBIT margin in the Automotive segment:

In the first half year of this year, our EBIT margin stood slightly above our target range of 8 to 10 percent.

But we are also aware of the fact that we need to invest further –

- in key future projects
- new technologies and
- new facilities around the world.

On top of this, we will have to meet increasingly strict regulatory requirements in reducing our fleet's CO₂ emissions.

Nevertheless, our 2014 forecast remains unchanged.

We plan to meet our targets for the business year 2014.

An important success factor will be the new models we are offering our customers in the second half of the year:



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- One of our most important launches of the year is the BMW 2 Series Active Tourer. Featuring front-wheel drive and maximum functionality, this model is a true innovation for BMW. Representatives of the international media recently had a chance to test-drive it, and their initial feedback is: the Active Tourer drives like a real BMW. This is our ambition with every BMW model. And I am positive that our customers will have the same experience come September.
- The M variant of the BMW 4 Series Convertible will be launched in September as well.
- The new BMW X4 and the model revision of the BMW X3 came out in July.
- At MINI, the model revisions of the Countryman and the Paceman also arrived at the dealerships in July, to be followed by the five-door Hatch in fall.
- At Rolls-Royce, deliveries of the Ghost Series II will begin in fall.
- Our plug-in hybrid sports car, the BMW i8, has been available since June, and the in-coming orders are extremely high.
- Following its market launch in Europe, the U.S. and Japan, the fully electric BMW i3 will be made available in the metropolitan regions of China in the second half of this year. So far, around 5,400 BMW i3 cars have been registered by customers around the world.

As a global player, the BMW Group intends to achieve balanced growth around the world.



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A balanced distribution of sales increasingly requires a balanced distribution of production.

What this means is: We believe we need to operate production sites in the three large world regions – Europe, Asia and America.

The same can be said of our research and development activities. Our production follows the market.

- This approach gives us flexibility.
- It helps us offset currency fluctuations.
- And it allows us to grow globally and to tap into new market opportunities.

Let me give you a few recent examples here:

- **First example: Asia**

In **China**, we are going to expand our capacities at the plants in Dadong and Tiexi to a total of 400,000 units a year over the course of the next two years. We have extended our cooperation with our joint venture partner Brilliance up to 2028 – even before the original agreement had expired. Our intention is to focus even more strongly on the specific demands of our Chinese customers and on attracting new customers. This is why, in the future, we are going to produce six instead of three BMW models locally. At the same time, we are adding to our dealership and service network in China. Plus, we are investing in research and development: At our R&D Center in Shenyang, which we set up together with Brilliance in 2013, 500 engineers are working on the mobility of the future.



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In **South Korea**, we opened another new R&D Center in July. It is the BMW Group's fifth R&D site outside of Germany. More and more trends are emerging in Asia in particular. Moreover, we established our first Driving Center in Asia in Incheon, South Korea. Previously, these driving experience centers for our customers only existed in Germany and the U.S. Up to 2020, we are investing a total of over 75 million US dollars in South Korea, creating about 100 new jobs.

We have also signed a Memorandum of Understanding with Samsung SDI to expand our supply relationship for battery cells for electric and electrified vehicles.

- **Second Example: America**

In the **USA**, we are expanding the production capacity of our Spartanburg plant to 450,000 units annually. The earmarked investment for the years 2014 to 2016 stands at one billion US dollars.

In San Luis Potosí, **Mexico**, we are going to build a new plant in the NAFTA region. The total investment volume also amounts to one billion US dollars. As of 2019, up to 150,000 cars annually can roll off the assembly line of the new production site.

All of these examples demonstrate that our international production network is prepared for future growth. As a global corporation we must always have a 360 degree approach to our corporate strategy:

- How is our business developing?
- What do our customers want today and in the future?
- What is happening in the world around us?



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By successfully mastering these strategic points, we will continue to fully capitalize on new growth opportunities and further leverage our lead in the premium segment.

Thank you very much!