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March 21, 2017

- Check against delivery -

Dr. Nicolas Peter

Member of the Board of Management of BMW AG, Finance

BMW Group Annual Accounts Press Conference for the Business Year 2016

Auditorium BMW Welt, 21 March 2017, 10 a.m. - 12 p.m. CET

Good morning Ladies and Gentlemen,

A warm welcome from me as well. Before I start, I would like to briefly introduce myself: As you know, I took over the Finance Division from Friedrich Eichiner on the 1st of January.

In my 26 years at the BMW Group, I have been head of Sales Strategy, Group Controlling and the European sales region, as well as other functions. During this time, I have actively worked on both Strategy NUMBER ONE and Strategy NUMBER ONE > NEXT. I firmly believe that we have chosen the right path.

I am delighted to be here today as the member of the Board of Management responsible for Finance. I am confident we will be able to continue the good and constructive cooperation we have enjoyed in recent years.

But let's move on now to the official part. I would now like to talk in detail about key developments in the financial year 2016 and take a look at the opportunities and challenges for the year ahead.

Profitability, stability, sustainability. That is what the BMW Group has stood for for many years. In the 2016 financial year, the company once again delivered on its promises. Deliveries, revenues and Group earnings all reached new all-time highs – proof indeed of our consistency and performance capabilities.

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In its centenary year, the BMW Group proved once more that innovation and profitability go hand in hand. The company again met all of its targets. For the seventh consecutive year, the EBIT margin in the Automotive Segment was within our target range of 8-10%.

Ladies and Gentlemen,

Let me emphasize: Our thinking is geared towards the long term – with a clear strategic focus on the future. This means investing in alternative drive trains, autonomous driving, enhanced mobility services and digitalisation.

Step by step we are implementing the plans laid out in Strategy NUMBER ONE > NEXT. New and innovative products like the BMW 5 Series demonstrate the progress we have made in crucial areas of innovation. At the same time, we are maintaining our strict focus on profitability. In recent years, we have shown that bold innovations and high profitability are not mutually exclusive. On the contrary: Our financial strength today allows us to make the upfront investments we need to secure our future success.

The BMW Group is performing well in all of its business segments. Here, you can see the EBT margin at Group level over the past years. Since 2011, it has consistently exceeded the 10% mark. The EBT margin for the 2016 financial year stood at 10.3%.

In 2016, Group revenues totalled 94.16 billion euros. This is an increase of 2.2% over the previous year – although this was impacted somewhat by currency translation effects. Adjusted for these effects, revenues rose by 4.3%. Group profit before tax reached a new peak of 9.67 billion euros. As forecast, this represents a slight increase of 4.8%. Compared to the previous year, the financial result primarily benefitted from positive effects from the fair market valuation of commodity derivatives.

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Despite high upfront investments in the launch of the new engine plant and new models, the Chinese joint venture BMW Brilliance Automotive contributed 507 million euros to earnings. This slight decrease from the previous year is solely due to currency translation effects. The lower tax rate of 28.5% was partly due to transfer pricing effects and revaluation of tax-related items. Consequently, net profit for 2016 also reached a new all-time high of more than 6.9 billion euros – an increase of 8.0% year-on-year.

Group revenues for the fourth quarter stood at almost 25 billion euros and were on par with the previous year. As expected, we saw a moderate quarterly decrease in Group profit before tax, partly as a result of upfront investments relating to implementation of our new strategy in the fourth quarter. As is typical in the fourth quarter, higher IT and marketing costs and increased research and development spending impacted earnings – which totalled around 1.92 billion euros. Despite these expenses, the BMW Group achieved an EBIT margin in the fourth quarter of 8.3% in the Automotive Segment.

Ladies and Gentlemen,

The BMW Group is systematically investing in the future. We firmly believe that strength in innovation is the key to long-term success and profitability. The company invested a total of 3.73 billion euros in products and equipment in 2016, not including capitalised development costs. The main focus was on key high-volume model launches and enhancing the competitiveness of our plants worldwide.

Our capex ratio of 4.0% was on par with the previous year and below 5% of revenue, as planned. We expect the ratio for 2017 to be somewhat higher, but still in line with our target of below 5%.

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On the product side, the main upfront investments last year were related to the launch of the new BMW 5 Series. Production started in late 2016. We are also making targeted investments to expand our international production network. In 2016, this included construction of new manufacturing facilities, as well as expansion and upgrading of existing plants. We are continually investing in modernisation and enhancing flexibility at our production sites.

Our Spartanburg plant in the US is currently being expanded to meet strong demand for the BMW X models worldwide. Capacity will be raised from currently 410.000 to 450.000 vehicles per year.

Construction of the San Luis Potosí plant in Mexico is proceeding according to plan. The first 3 Series models for global export will roll off the production line in 2019. The new plant will also compensate for the reallocation of production capacity at the plant in South Africa, which will build the new BMW X3 going forward, instead of the BMW 3 Series Sedan.

In China, the BBA joint venture opened a new engine plant to supply the local car production plants last year. The Dadong plant, which builds the long-wheelbase version of the 5 Series Sedan, is currently undergoing expansion.

Let's move on to our research and development activities. R&D expenditure for 2016 totalled 5.16 billion euros and was therefore on par with the previous year. The ratio of capitalised development costs was at 40.5%. Our R&D ratio of 5.5% lies within our target range of 5-5.5%.

In 2016, the focus was on preparations for the launch of new models. We will continue to renew our product line-up over the next few years. As we continue to enhance our conventional engines, we will also be driving development of a new generation of electric motors and conducting intensive research into hydrogen fuel cell technology.

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We are refining our rear and front-wheel drive architectures to make them equally suitable for both conventional drive trains and electrification. This will increase our flexibility. With the additional driver assistance systems in the new 5 Series, we are also taking another important step towards autonomous driving. We are bringing technological innovations into series production, but only once they achieve the right level of maturity and safety.

We will continue to focus on implementing our strategy in 2017. To ensure the company is well prepared for the challenges ahead, we are investing in the development of new technologies and optimising existing ones. Due to necessary upfront investments, the R&D ratio for the next two years is likely to be slightly above our target range of 5-5.5%.

Ladies and Gentlemen,

2016 was the BMW Group's most successful financial year to date. The company once again met its targets. Sharing this success with our shareholders is an integral part of our Group culture. The Board of Management and Supervisory Board will propose a dividend of 3.50 euros per share of common stock and 3.52 euros per share of preferred stock for 2016. The dividend will therefore be 30 cents higher than the previous year – the highest the BMW Group has ever paid.

This adds up to a total dividend payout of 2.3 billion euros and means that a third of our net profit for the year will be paid out to shareholders. The payout ratio remains therefore within our target range of 30-40%.

Now, let us take a look at performance in the individual segments. First, the Automotive Segment. Automotive deliveries rose by 5.3% in 2016 to almost

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2.37 million vehicles. This solid increase slightly exceeded our guidance from the start of the year.

Automotive Segment revenues reached 86.42 billion euros in 2016. This represents a slight increase of 1.0% over the previous year, as forecast. Adjusted for currency effects, revenues were up 3.1%. EBIT for the segment totalled 7.7 billion euros. This is slightly below last year's all-time high. The EBIT margin of 8.9% remained within our target range of 8-10%, as planned, despite extensive upfront investments in future projects.

Here you can see the 2016 EBIT bridge for the Automotive Segment. Segment EBIT remained strong in 2016, despite challenging conditions and political volatility. Currency and commodity effects produced a tailwind of 200 million euros. Earnings also benefitted from higher volume, mix and market effects. We expect the new BMW 5 Series to provide further momentum this year.

In a highly competitive environment, we are constantly working to optimise our sales performance. This includes gearing the structure of our line-up even more towards customer needs in different regions of the world. We will continue strengthening our market position through intelligent technical features and pricing measures.

Depreciation of 143 million euros had a negative effect on EBIT. The item "Other cost changes" represents the net balance of efficiency improvements, upfront investments and personnel costs. This item totalled negative 217 million euros. A high level of expenditure for strategic projects as well as an expanded workforce impacted the result. The BMW Group is investing today in its future business success. At the same time, we are maintaining our long-term strategic direction.

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Let us turn now to the cash flow statement. Free cash flow in the Automotive Segment totalled 5.79 billion euros in 2016. This is 388 million euros more than the figure for 2015. Higher net profit and sound management of working capital, among other factors, contributed to this healthy free cash flow. Free cash flow for the current year is expected to remain strong and we are targeting an amount of over 3 billion euros once again.

The BMW Group's liquidity position remained solid in 2016. At the end of the year, Group liquidity totalled 13.17 billion euros. This proves once again that our company has a very solid financial footing.

In a volatile environment, the company possesses a high level of flexibility and financial strength. The BMW Group maintains adequate liquidity reserves to ensure its solvency at all times. This is also recognised by the capital markets and rating agencies. In January, Moody's upgraded the BMW Group's long-term rating to A1. This is the best rating of any European auto OEM and the second-best of any car manufacturer in the world.

Let's continue with the Financial Services Segment. 2016 was another successful business year for BMW Group Financial Services. A total of 1.81 million new contracts were concluded with retail customers – 9.4% more than the previous year. Credit financing, in particular, reported significant growth of 11.1%. The overall volume of new business climbed 9.3% to around 55.33 billion euros. The segment's total portfolio of 5.11 million contracts exceeded the five million mark for the first time. The penetration rate for 2016 – the percentage of new BMW Group vehicles financed or leased by the segment – increased to 49.6%.

The growth in our financing and leasing business with retail customers also had a positive impact on the serviced contract portfolio. The biggest gains once again came from the Asia/Pacific region, which reported growth of 18.0%. In this

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part of the world, customers have traditionally preferred loan products. The Europe/Middle East/Africa and Americas regions posted solid growth of 8.6% and 7.1%, respectively. The EU Bank, which comprises the BMW Bank with its branches in Italy, Spain and Portugal and subsidiary in France, also reported solid gains.

The positive business development in the Financial Services segment is reflected in earnings as well. Pre-tax earnings exceeded 2 billion euros for the first time. Due to successful business development and the favourable risk situation, the segment's return on equity was slightly higher than anticipated, at 21.2%, and exceeded our minimum target of 18%, as forecast.

Despite economic and political volatility, the risk situation for the entire segment portfolio continued to improve. The net credit loss ratio dropped to an all-time low of 0.32% – another five basis points below the previous year's figure.

Residual value losses increased moderately from the previous year, as expected. This was partly due to higher volumes of used vehicles and strong competition in North America.

BMW Group Financial Services makes comprehensive provisions to cover its main business risks. From today's perspective, the segment is well prepared for residual value and credit risks. We expect the risk environment to remain largely stable over the course of the year.

I would like to move on to our Motorcycles Segment. 2016 was a successful year for BMW Motorrad. Deliveries climbed 5.9% to around 145,000 vehicles. In fact, sales growth was slightly higher than originally forecast at the start of the year – due to strong product momentum and positive market development. Revenues exceeded 2 billion euros for the first time, reflecting the segment's

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strong sales performance. EBIT reached a new all-time high of 187 million euros. The EBIT margin for the segment reached 9.0%.

BMW Motorrad continued to systematically implement its Fit-4-2 strategy in 2016. This includes expanding its line-up in new segments and developing new markets. BMW Motorrad will continue its product offensive in 2017. We are venturing into the segment below 500 cc with the G310 R and its sister model, the G310 GS. This will provide access to new customer groups and lay the foundation for future growth. With the momentum from these important new models, BMW Motorrad can look forward to the new season with confidence. We expect 2017 to be another successful financial year for the segment.

Let's now take a look at eliminations. This covers consolidation of inter-segment transactions – primarily between the Automotive and Financial Services segments. Pre-tax earnings within Group eliminations for 2016 amounted to negative 772 million euros. The negative amount therefore increased by 108 million euros year-on-year. As in the previous year, eliminations of inter-segment profits increased in the fourth quarter, partly as a result of strong new leasing business. The end of the year traditionally sees the strongest sales in markets with a high share of leasing.

Ladies and Gentlemen,

Even in a volatile environment, we have once again set ourselves ambitious goals for the current year. Overall, we expect the positive business development to continue in 2017. We are targeting new record highs for deliveries, revenues and earnings.

Provided economic and political conditions do not change significantly, we expect to achieve a slight increase in Group profit before tax. We also forecast a slight increase in automotive deliveries, assuming conditions remain stable.

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We will rejuvenate our product line-up significantly over the next few years. We are in a good position for 2017, with the new BMW 5 Series Sedan and Touring, the new X3, the MINI Countryman and a number of other attractive new models. We therefore expect to report sales growth in all the main regions of the world.

After the dynamic performance of recent years, sales in the European markets should increase slightly in 2017. In China, the positive trend should continue, thanks to attractive models like the long-wheelbase versions of the new BMW 5 Series Sedan and the BMW X1. Local production of the new BMW 1 Series Sedan for the Chinese market ramped up earlier this year and will provide additional impetus for growth. We anticipate a slight upturn in the Americas in 2017. The positive development in deliveries is likely to be reflected in Automotive Segment revenues. We therefore forecast a slight increase in this area for the current year.

Despite the high level of upfront investment in future projects, we are maintaining our ambitious profitability targets and aim for an EBIT margin of between 8 and 10% in the Automotive Segment.

We expect to see a significant increase in motorcycle deliveries this year. Expanding our product portfolio will enable us to reach new customer groups and tap growth potential in the major motorcycle markets. In recognition of the segment's growing strategic importance, the Motorcycles Segment will also report EBIT margin as a financial performance indicator from 2017 on. As in the Automotive Segment, we will be targeting an EBIT margin of between 8 and 10%.

The positive business development in the Financial Services Segment should continue in 2017. Faced with growing equity capital requirements and

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normalisation in the risk situation, return on equity is expected to decrease slightly – although it will remain above our target level of at least 18%.

Our guidance assumes that economic and political conditions will not deteriorate significantly.

Ladies and Gentlemen,

The BMW Group remains on course for growth. The company has delivered an EBIT margin within or above our target range of 8-10% every year since 2010. We have worked hard to earn the trust of our stakeholders. As recent years have shown: We set ourselves clear goals – and deliver on our promises. I can promise you: In future, we will continue to look at how we measure up to these goals – and know that we will be measured by them.

Future competitiveness will be determined by flexibility – I firmly believe that. What this means for us is constantly refining our business processes and adapting to changing conditions. At the same time, we will use our resources intelligently, with a clear focus on what is essential. We intend to retain our leading position – both in future technologies and in terms of profitability.

We are actively driving the change in our industry and making targeted investments in future technologies with a key focus on e-mobility. This is to secure our future business success. Profitability is firmly rooted in our company. I was also committed to this goal in my previous roles.

The new BMW 7 Series marks the start of our product offensive in the upper segments. And with the X7, we will continue to expand our portfolio and strengthen our presence in this segment.

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We are clearly focused on the future. Our broad spectrum of premium products and services provides the best possible foundation for our success moving forward.

I'll now hand back to Harald Krüger.

Thank you.