Ladies and Gentlemen,

Good morning from me as well. The year 2018 once again demonstrated the financial and performance strength of the BMW Group. Despite massive headwinds, we reported the second-best result in our company’s history: for the past 15 years, we have now been the world’s leading premium car company. At 7.2%, our EBIT margin in the Automotive Segment remains at a high level compared to competition, and in line with our adjusted guidance for the full year.

Nevertheless, our performance in 2018 did not meet our usual high standards. The challenging environment left its mark on the entire automotive industry last year: I am referring, in particular, to the trade dispute between the US and China – but also the challenge of regulations and the negative trend in exchange rates and commodity prices. All of these factors impacted the results of vehicle manufacturers across the board. Although we mastered the transition to the new WLTP test cycle smoothly and on schedule, the price war initiated by some of our competitors also impacted our profitability. At the same time, we are managing planned expenses for our ongoing business and setting our company’s course for the future.

The BMW Group is in the middle of the biggest model offensive in its history. We are investing billions in new products, e-mobility, autonomous driving and the next strategic steps for mobility services.
We see great potential here. Rapid scalability will be decisive. E-mobility is financially challenging – but we see no alternative. As a premium manufacturer, we clearly possess the best credentials to successfully implement it.

Despite these extremely volatile conditions, 2018 was overall a successful year for the BMW Group. We were the only premium car company to see growth in the US. In China, we delivered more than 640,000 vehicles to customers, in a contracting market. And in Europe, despite sales distortions due to the WLTP change and an overall declining market, we were able to maintain sales at the same high level as the previous year.

We also deliberately cut production, to avoid fuelling price wars.

BMW brand deliveries reached a new all-time high. As planned, we were even able to grow our segment share in Europe. Worldwide, our X models, in particular, were in strong demand – especially the new X3, with sales up by almost 38%. The BMW 5 Series once again posted a significant increase in sales. Despite a slight decrease in sales, MINI reported the second-best year in its history. The MINI Countryman proved especially popular. Nearly one in seven Countrymans sold is a plug-in hybrid. Rolls-Royce posted the best year in the marque’s history. Deliveries rose by more than a fifth, with the Phantom and the new Cullinan performing very well. BMW Motorrad delivered more than 165,000 units to customers – for an eighth consecutive record year – and substantially enhanced its product line-up in 2018.

Our electrified vehicles are also doing well with customers. We exceeded our sales target of 140,000 units in 2018, as planned, with an increase of almost 40% over the previous year. The main growth drivers are the plug-in hybrid variants of the BMW 5 Series, X1, 2 Series and the MINI Countryman. The i3 remains very successful, with sales up more than 10%. Since its market launch in 2013, demand for the i3 has increased strongly every year.
Let’s take a look at our financial figures. Due to the additional business pressures I referred to, our sales growth is only partially reflected here. Group revenues were on a par with the previous year, at 97.48 billion euros. Adjusted for currency translation effects, revenues increased by 1.2%. The EBT margin remained above our target figure of 10%. As previously announced, Group earnings before tax showed a moderate decrease from the previous year, at 9.82 billion euros. As expected, various factors had an impact here: Mainly the development of currency and commodity prices and higher expenses for research and development.

Further impacts on earnings came from the challenging pricing situation – especially in Europe, due to the WLTP transition, and the additional burden of China’s punitive tariffs on US imports. As expected, our financial result decreased, mainly due to valuation effects. However, the earnings contribution of our Chinese joint venture, BBA, rose significantly to nearly 740 million euros. Net profit for 2018 stood at 7.2 billion euros. The net profit of 2017 was exceptionally high, due to valuation effects of around one billion euros in connection with the US tax reform.

The fourth quarter of 2018 developed as expected, with revenues and pre-tax earnings at the same level as the previous year. The EBIT margin of 6.3% in the Automotive Segment was in line with our expectations.

Ladies and Gentlemen, Even under difficult conditions, our sights remain firmly fixed on the future. In line with our strategy, we continue to invest at a high level. Our BMW iNEXT Vision provides us with building blocks for the future and, from 2021, will enable our entire model line-up – with highly-automated drive systems and the fifth-generation electric drive train we developed in-house. Capital expenditure – primarily for property, plant and equipment – rose to 5.03 billion euros. These funds were channelled into
preparations for the launch of new models at plants Spartanburg, Dingolfing and Munich, as well as plant construction in Mexico. We strongly believe in the value of flexible plants. This is an advantage during periods of volatility and significantly varying conditions between regions. The capex ratio for 2018 was 5.2%. We expect the ratio for the current year to be slightly higher.

As previously announced, our research and development expenditure reached a new all-time high of 6.89 billion euros in 2018. The R&D ratio, according to the German Commercial Code, was 7.1%. The ratio will be lower in 2019, but still above 6%. The ratio of capitalised development costs was at 43.3%. The large number of model launches and new architectural modules was reflected in higher capitalised development costs. This year, we expect to see a substantial decrease in the capitalisation ratio.

Ladies and Gentlemen, Despite challenging conditions, the BMW Group posted solid results for the financial year 2018. On behalf of the entire Board of Management, I would like to thank all our employees for their commitment over the past year. We would also like to thank our shareholders and investors, who have placed their trust in us over the past years. 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 2018. This is the second-highest dividend we have ever paid, with a total pay-out of 2.3 billion euros. As a result, 32.0% of our net profit for the year will be paid out to shareholders, in line with our targeted corridor of between 30 and 40%. As usual, our dividend payout will be completely covered by Free Cashflow.

Now, let's turn to the individual segments, starting with the Automotive Segment. Dampered by currency translation effects, segment revenues were on par with last year, at 85.85 billion euros. Due to the external headwinds I mentioned and high upfront investments, EBIT decreased to
6.18 billion euros. Under these conditions, the EBIT margin of 7.2% reached a high level and exceeded our adjusted target of at least 7%.

As usual, earnings contribution from our China-Joint Venture is not included in this figure. Moreover, as a matter of principle, we do not adjust our reported figures for one-off-effects.

Here, you can see the EBIT bridge for the Automotive Segment from the previous year. As expected, we experienced significant headwinds from currency and commodity prices. The net balance of other operating income and expenses had a positive impact in 2018. The 2017 figures included increased provisions for legal disputes and other litigation risks, which did not recur in 2018, and therefore resulted in a positive year-on-year effect. High upfront investments and increasing depreciation dampened earnings, as expected. Higher tariffs, the challenging pricing situation – especially due to the WLTP transition in Europe – as well as warranty and goodwill campaigns also had a negative impact.

Ladies and Gentlemen, We responded early to the challenges in our environment and launched a company programme to boost performance back in 2017. Through “Performance > NEXT”, we are systematically addressing structural issues across the BMW Group, optimising processes and improving efficiency. We have already made several important decisions:

- We are significantly reducing the complexity of our portfolio at all levels. We will only develop what customers demand. We are also eliminating derivatives with low demand, as well as reducing our drive-train portfolio and country variants by up to 50%. This will allow us to focus even more on customers’ desires and requests, and, at the same time, offset rising manufacturing costs.
- We have shortened the development process by up to a third. This will
enable us to take advantage of opportunities in the market faster and allow us to be more efficient.

- We are systematically optimising structures and processes at our headquarters, plants and the local subsidiaries as well as pooling resources across all functional areas.

With Performance > NEXT, we are continuously changing structures and work methods to become faster and more agile.

I would like to talk now about the segment’s cash flow. Despite higher capital expenditure and lower net profit, free cash flow in the Automotive Segment still totalled 2.71 billion euros. We are aiming for a similar amount for 2019. Our financial independence gives us the freedom to shape our own future. At the end of the year, our liquidity totalled 16.3 billion euros. This offers us a solid financial footing: It ensures we are able to take action, even though parameters are constantly changing.

Let’s move on to the Financial Services Segment, which, despite rising interest rates in a number of key markets and fierce competition, continued to grow its business in 2018. New contracts with retail customers increased slightly, by 4.4%, to 1.91 million. Both our leasing business and credit financing reported slight growth. The penetration rate of 50.0% is 3.2 percentage points higher than the previous year – driven mainly by new credit financing business in China. Pre-tax earnings reflected the positive business development and reached 2.16 billion euros.

Despite a substantial increase in its equity base, the Financial Services Segment achieved a return on equity of 14.8% – and exceeded our minimum requirement of at least 14%. Even with growing volatility worldwide, the risk situation in the segment remained stable over the past financial year. The credit loss ratio fell in 2018 and is now at 0.25%.
Market price risks for our leasing portfolio also remained stable overall. Prices in the North-American used-car markets even trended upwards slightly. In Europe, however, we experienced slight headwinds, as expected. From today’s perspective, we remain well prepared for any business risks we may encounter.

Ladies and Gentlemen, Let’s move on to the Motorcycles Segment. With over 165,000 units sold and our eighth sales record in a row, we are on course to reach our target of 200,000 units in 2020. Pre-tax segment earnings totalled 169 million euros. This decrease was mainly due to model changeovers, plus mix effects. The EBIT margin was 8.1% and once again within our target range of 8-10%. In 2018, BMW Motorrad presented six new models. We expect growth to continue in 2019, thanks to new mid-sized models, the new edition of the R 1250 GS, the highly anticipated new S 1000 RR and other new models.

Finally, let’s look at intersegment eliminations. Intersegment eliminations contributed 553 million euros, compared to negative 534 million euros in the previous year. As noted in previous quarters, the main reasons for this development are lower elimination of inter-segment profits for new leasing contracts, due to lower EBIT in the Automotive Segment, and positive reversal effects, resulting from strong growth in the leasing portfolio in previous years.

Ladies and Gentlemen, The BMW Group is known for its ability to handle challenging terrain. We like challenges. Despite massive headwinds, we delivered healthy profitability in 2018. This shows just how much operational capacity this company has. So, what are our plans for the current year? Even in this challenging environment, we are setting our standards high. In 2019, we aim to maintain the BMW Group’s position as the premium segment’s leading manufacturer and
will be targeting growth in all major sales regions.

We expect to see a positive impetus from our young product portfolio. However, since a lot of the models are still in the launch and ramp-up phases, earnings will not benefit from the full effect in 2019. Due to the model changeovers, we expect the first half-year to be weaker overall. We will continue to make substantial investments in new technologies and future topics in 2019. The European Union’s extremely ambitious CO\textsubscript{2} legislation also requires high additional expenses and will lead to higher manufacturing costs, which will impact earnings.

At the same time, we again expect to face significant currency and commodity headwinds in the mid-to-high three-digit million-euro range. Future development in tariffs is another major uncertainty. Our guidance assumes there will be no increase in tariffs between the US and the European Union. The preparations necessary for the UK’s withdrawal from the EU will be an additional burden in 2019. Nevertheless, we continue to expect that there will be an orderly Brexit. The competitive environment may also get tougher over the course of the second stage of the WLTP transition.

In the Automotive Segment, we expect deliveries to be slightly higher year-on-year. A range of 8-10\% for our EBIT-margin is our clear target in a stable business environment. But there are many parameters over which we have only limited influence.

Due to the negative impact of the factors I mentioned, we expect an EBIT margin between 6 and 8\% in 2019. The high level of volatility makes it difficult to provide a clear forecast. However, we will continue to use all internal levers in working back towards our strategic profitability target. In the Motorcycles Segment – strengthened by our renewed model line-up – we are planning for a solid increase in deliveries, with an EBIT margin within
our target range of 8 to 10%. In the Financial Services Segment, we expect return on equity to be on a par with last year and above our target figure of 14%.

Let’s take a look at the Group figures:
In addition to the headwinds I referred to, the absence of a number of positive valuation effects from 2018 will lead to a significant decrease in the financial result this year. As a result, Group earnings before tax are expected to be significantly lower than the previous year. We will continue to hire specialists in key areas for future technologies. However, in 2019 we will not increase the overall size of the workforce. The total number of employees will therefore remain at around the same level as in 2018.

Depending on how conditions develop, our guidance may be subject to additional risks: in particular, the risk of a no-deal Brexit and ongoing developments in international trade policy. Partly as a result of these factors, we are already seeing a slowdown in the global economy. If conditions deteriorate further, effects on our guidance cannot be ruled out.

Ladies and Gentlemen, The BMW Group remains focused on the long term. We have already made a number of clear decisions as part of our programme “Performance > NEXT”. We will continue systematically implementing the measures needed for growth, further increased performance and efficiency.

This gives us the freedom we need to build the future and secure our future competitiveness. Thanks to our operational and financial strength, we are capable of steering this company successfully through the industry’s transformation. We are continuing to develop and refine our business model. Creating sustainable value remains our goal, not only today but in the future.

Thank you.