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 business environment left its mark on the entire automotive industry last year. To make the company future-proof, 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.

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 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. Capital expenditure – primarily for property, plant and equipment – rose to 5.03 billion euros. 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 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.
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 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 cash flow.

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. 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.

EBIT decreased to 6.18 billion euros. 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. 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 activities also had a negative impact. 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 are 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 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 both 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. 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. From today’s perspective, we remain well prepared for any business risks we may encounter.

Let’s move on to the Motorcycles Segment. With our eighth sales record in a row, we are on course to reach our target of 200,000 units in 2020. The decrease in pre-tax segment earnings 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%. We expect growth to continue in 2019.

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. 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 and the usual build-up of inventories, we expect the first half-year – and especially Q1 – 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 CO2 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.

For 2019 we will not increase the overall size of the workforce. The total number of employees will remain at around the same level as in 2018.
If conditions deteriorate further, effects on our guidance cannot be ruled out.

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.
Thanks to our operational and financial strength, we are capable of steering this company successfully through the industry’s transformation. Creating sustainable value for our shareholders remains our goal, not only today but in the future.

Thank you.