BMW GROUP IN CHINA

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BMW BRILLIANCE AUTOMOTIVE

MAY 22, 2012
CONTENTS.

– Looking back
– The BMW business model
– BMW retail network in China
– Outlook
CHINA HAS ENJOYED STRONG ECONOMIC GROWTH OVER THE PAST 20 YEARS.

China GDP growth (1992-2011)

(GDP: trillion RMB, GDP growth: %)

(Ø ~20 years = 10.4%)

Source: states statistic bureau BMW Group in China, D.Kirchert, May 22nd 2012
ALTHOUGH THE PV MARKET GROWTH RATE SLOWED IN 2011, THE PREMIUM SEGMENT HAS CONTINUED ITS RAPID GROWTH.

PV and premium segment sales development (2005-2011)

Source: sales data
BMW & MINI HAVE SUCCESSFULLY DEVELOPED OVER THE YEARS, OUTPERFORMING THE PREMIUM SEGMENT GROWTH.

**BMW Group sales development (2007-2011)**

- **Premium segment Ø annual growth rate:** +41%
- **BMW Ø annual growth rate:** +46%

<table>
<thead>
<tr>
<th>Year</th>
<th>BMW Sales (in '000 Units)</th>
<th>MINI Sales (in '000 Units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>233</td>
<td></td>
</tr>
</tbody>
</table>

Source: sales data BMW Group in China, D. Kirchert, May 22nd 2012
2012 YTD MARKET STATUS. BMW GROUP HAS OUTPERFORMED THE PREMIUM SEGMENT.

**Premium segment development**

- **2011 YTD April:** ~290 '000 Units
- **2012 YTD April:** ~380 '000 Units
- **Change:** +33%

**BMW+MINI development**

- **2011 YTD April:** 79 '000 Units
- **2012 YTD April:** 107 '000 Units
- **Change:** +35%

Source: sales data
CHINA HOLDS A PROMINENT POSITION WITHIN BMW’S GLOBAL RANKING.

<table>
<thead>
<tr>
<th>Year</th>
<th>Market</th>
<th>Model</th>
<th>Sales Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td></td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>2008</td>
<td>...</td>
<td>5 Series</td>
<td>5</td>
</tr>
<tr>
<td>2011</td>
<td>3</td>
<td>X6</td>
<td>2008</td>
</tr>
<tr>
<td>2012</td>
<td>?</td>
<td>7 Series</td>
<td>largest</td>
</tr>
<tr>
<td></td>
<td></td>
<td>X6</td>
<td>largest</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 Series sedan</td>
<td>largest</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5er GT</td>
<td>largest</td>
</tr>
<tr>
<td></td>
<td></td>
<td>X5</td>
<td>2nd-largest</td>
</tr>
</tbody>
</table>

Source: sales data
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COMPETING WITH SUBSTANCE. PRESENTING THE BEST QUALITY TO CUSTOMERS.
BMW PRODUCT LINEUP. MOST BMW GROUP PRODUCTS ARE ALREADY OFFERED IN CHINA.

Locally-produced

Imported
MINI PRODUCT LINEUP.

EXCITING MINI PRODUCTS IN CHINA.
UNDERSTANDING THE DIVERSE CUSTOMER BASE.

Directors/Executive management of (multi-) national companies

Traditional company owners

Directors/managers in SOE

Young, self-made company owners / co-owners

Young professionals, executives
CUSTOMER ORIENTATION
BMW GROUP IS FULLY DEDICATED TO CUSTOMER SATISFACTION

Attention & Care

Understanding & Action

Fulfillment & Success

Customer Orientation
MULTIPLE ENTITIES, ONE FACE TO THE CUSTOMER.

BMW China
National Sales Company

BMW Brilliance Automotive

Dealer 1

Dealer 2

Dealer 3

Dealer N

Customer / Point of Sale / Market

BMW Group in China, D.Kirchert, May 22nd 2012
PEOPLE-CENTERED MARKETING STRATEGY HIGHLIGHTING EXPERIENCE AND EMOTIONS (1/3).

BMW Group in China, D.Kirchert, May 22nd 2012
PEOPLE-CENTERED MARKETING STRATEGY HIGHLIGHTING EXPERIENCE AND EMOTIONS (2/3).

Mission 3 Campaign

MINI Chinese Job

M Annual Event

BMW Brand day
PEOPLE-CENTERED MARKETING STRATEGY HIGHLIGHTING EXPERIENCE AND EMOTIONS (3/3).

2012 Beijing Auto Show
CCF - BMW WARM HEART FUND CONTINUE TO BUILD ON ITS SUCCESSES.

➢ On June 5, 2008, BMW China and BMW Brilliance jointly set up CCF - BMW Warm Heart Fund
THIS PERFORMANCE MAKES BMW THE LEADING AUTOMOTIVE BRAND IN CHINA.

– BMW has earned **NO.1** in ‘I like this brand’ in a row from 2002-2012.

– BMW is NO.1 in 4 main categories out of 13.

**Criteria**

1. Well Made
2. Very Reliable Car
3. High Safety Standards
4. **Advanced Technology**
5. **Environmentally Friendly Cars**
6. Good Customer Service
7. Good Value For Money
8. High Re-sale Value
9. **Good Looks/Styling**
10. Makes Sporty Cars
11. Successful In Racing
12. Has Good Advertising
13. **I Like This Brand**
BMW IS THE MOST ADMIRE AUTOMOTIVE BRAND AMONG CHINESE CUSTOMERS.

World’s most valuable luxury brands 2012

<table>
<thead>
<tr>
<th>#</th>
<th>Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LOUIS VUITTON</td>
</tr>
<tr>
<td>2</td>
<td>HERMES PARIS</td>
</tr>
<tr>
<td>3</td>
<td>BMW</td>
</tr>
<tr>
<td>4</td>
<td>MOITAI</td>
</tr>
<tr>
<td>5</td>
<td>Mercedes-Benz</td>
</tr>
<tr>
<td>6</td>
<td>CHANEL</td>
</tr>
<tr>
<td>7</td>
<td>五粮液</td>
</tr>
<tr>
<td>8</td>
<td>GUCCI</td>
</tr>
<tr>
<td>9</td>
<td>ROLEX</td>
</tr>
<tr>
<td>10</td>
<td>Cartier</td>
</tr>
</tbody>
</table>
CONTENTS.

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290 BMW DEALER OUTLETS WERE IN OPERATION BY THE END OF 2011.

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>82</td>
</tr>
<tr>
<td>East</td>
<td>95</td>
</tr>
<tr>
<td>South</td>
<td>65</td>
</tr>
<tr>
<td>West</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>290</td>
</tr>
</tbody>
</table>
MINI ALSO MADE BIG STRIDES FORWARD AND 67 DEALER OUTLETS WERE IN OPERATION BY 31ST DECEMBER 2011.

<table>
<thead>
<tr>
<th>Region</th>
<th>S-SR</th>
<th>A-SR</th>
<th>4S</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>9</td>
<td>6</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>East</td>
<td>15</td>
<td>4</td>
<td>2</td>
<td>21</td>
</tr>
<tr>
<td>South</td>
<td>11</td>
<td>5</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>West</td>
<td>10</td>
<td>3</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>45</td>
<td>18</td>
<td>4</td>
<td>67</td>
</tr>
</tbody>
</table>
BMW IS THE PIONEER TO EXPLORE NEW RETAIL FORMATS FOR HIGHER CUSTOMER SATISFACTION.

Showroom

Fast Lane Rural

Service Center

Used Car Center

4S

2003 - 2006

2007 - 2009

2010

2011

2012

BMW Group in China, D.Kirchert, May 22nd 2012
SHAPING THE FUTURE OF RETAIL, 5S DEALERSHIPS BECOME A CRUCIAL FEATURE OF BMW’S SUSTAINABILITY STRATEGY IN CHINA.

5S dealership

**Economic**
- Sustainable Mobility
- Sustainable Training
- Customer Orientation

**Environment**
- Sustainable Design
- Recycling & Waste Management
- Sustainable Service Operation

**Social**
- Attractive Employer
- CSR on Dealer Level
- Customer Involvement
FOCUSING NOT ONLY ON HARDWARE, 5S DIFFERENTIATES FROM OTHER OUTLETS BY THE EFFORTS IN CUSTOMER INVOLVEMENT, COMMUNITY LIFE AND EMPLOYEE CARE.

- Waterborne paint
- Paint Shop Ventilation
- Car Wash Water Recycling
- Health & Safety training
- Social Contribution – BMW JoyHome
- Waste & Recycle training
- Wind turbines
5S CONCEPT WON POSITIVE FEEDBACK FROM THE MEDIA.

“The introduction of the 5S leads BMW dealers into a new era.”

“The 5S concept, developed in China, may be rolled out globally. China is also becoming an important source of BMW’s global brand strategy.”
VARIOUS OUTLET TYPES TO ENLARGE THE SERVICE CAPACITY.
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BUOYANT OUTLOOK ON CHINA DESPITE SHORT-TERM CONSOLIDATION.

China GDP growth

- 2011: +9.2%
- 2012 Q1: +8.1%
- 2012 FC: 8.0%~8.5%

Risks to China’s growth

- Global economy is at a precarious stage and export growth slowed down
- Domestic demand rising slower than expected
- Continuing concerns of inflation, especially with rising oil prices
- Real estate market cool down

China is **accelerating the transformation of the pattern of economic development** and heading to make economic development more sustainable and efficient

Source: state statistic bureau, IMF, World Bank, Economist

BMW Group in China, D. Kirchert, May 22nd 2012
CONTINUED MOMENTUM FOR PREMIUM AUTO SEGMENT.

Premium segment development

- ø annual growth rate +43%

2005 ~0.1 Mio

2011 ~1 Mio

☑ Mid-term passenger vehicle market growth of 9% per year.
  – LMC, 2012

☑ Luxury growth expected to outpace overall market.
  – Global Insight, 2012

Source: sales data

BMW Group in China, D.Kirchert, May 22nd 2012
BMW’S NEW 3 SERIES TWINS TO “GROW” IN THE MARKET.

New 3 Series Long Wheelbase

New 3 Series
THE NEW TIEXI PLANT – EXPANDED CAPACITY UTILIZING WORLD-CLASS TECHNOLOGY.

New Tiexi Plant

- “Cleanest” production within BMW Group (Benchmark comparison 2011)
- Lowest energy consumption
- Lowest VOC emission
- Lowest level of process waste water

Leading through:

- Environmentally-friendly architecture and technologies
- to save heat, energy and water
- to ensure sustainable, clean production
UNCOMPROMISING IMPROVEMENT OF QUALITY IN AFTERSALES.

We are the first mover in many service initiatives:
– Service Repair Package
– Fast Lane Service
– Accident Hotline
COMPREHENSIVE FINANCIAL SERVICES TO ADD IMPETUS TO FUTURE GROWTH.

Majority of vehicles are still bought without financing

– BMW Finance Automotive China started operations by end of 2010

– ~11% penetration in 2011
“BMW again heads the ranking of Dow Jones Sustainability Index in 2011 and thus becomes auto industry’s most sustainable auto manufacturer for seven consecutive years.”
IN COMPARISON WITH MATURE MARKETS, CHINA’S NASCENT USED CAR MARKET HAS OPPORTUNITIES FOR LARGE GROWTH.

Sales split of BMW Dealers worldwide (2010)

- **Used car volume**
  - USA: 43%
  - Germany: 49%
  - UK: 41%
  - Japan: 46%
  - China: 4%

- **New car volume**
  - USA: 57%
  - Germany: 51%
  - UK: 59%
  - Japan: 54%
  - China: 96%
USED CAR IS A STRATEGIC BUSINESS AREA TO SUPPORT NEW CAR BUSINESS.

- **BMW Premium Selection** is a worldwide BMW used car program (since 2006 in China).

- BMW Premium Selection is **Number ONE** among competitors.

- Clear **Used Car Strategy** to develop the dealer organization with **1st UC Center** in Shenzhen as role model

- Used Car will become a business unit, providing additional profit to dealers and support New Car sales.
THE PROVEN “BMW MODEL” WILL ENSURE OUR CONTINUING BRIGHT FUTURE.