The BMW Group is the world’s most successful premium manufacturer. Last year, the company was able to consolidate its global position, despite a challenging market environment in Europe. Outside of Europe, however, the BMW Group reported strong sales gains: For the first time, we delivered more than half a million vehicles in Asia in one year – almost 580,000 units. Sales also increased in the Americas – and the US, in particular – to more than 463,000 premium vehicles. This sales success underscores our strategy of balanced growth worldwide.

Our focus in 2013 was on enhancing the company’s future competitiveness. The recently launched BMW i3 and its revolutionary concept underline our role as a pioneer of electric mobility. We will continue to build on our innovative strength. To achieve this, we earmarked more funds towards capital expenditure and R&D in 2013.

The main focus of this spending was on:

- series development of new models,
- further development of our efficient combustion engines, and
- alternative drive technologies.
- We also invested in making our sales channels more customer-focused.
In 2013, we again saw dynamic growth accompanied by high profitability. At Group level, our efforts resulted in a pre-tax return on sales margin of 10.4%, based on pre-tax earnings. Our earnings performance remained at the same level as the previous year. The BMW Group's pre-tax earnings totalled € 7.91 billion – a slight increase of 1.4% year-on-year, in line with our guidance: We had forecast that Group earnings for 2013 would be on a similar scale to those reported in 2012.

A strong fourth quarter contributed to our successful financial results, with the highest quarterly unit sales in the history of the company. At € 20.21 billion, BMW Group revenues were slightly lower compared to the same quarter 2012. Revenues were impacted negatively by foreign currency conversion. Group pre-tax earnings of € 1.89 billion were 7.3% higher than for the same quarter last year.

With an EBT margin of 9.3%, the fourth quarter of 2013 exceeded our expectations. The Automotive segment reported an EBIT margin of 9.2%. We were able to achieve this level of profitability despite extensive up-front investments in future projects and challenging market conditions in Europe.

With total capital expenditure of € 6.69 billion for property, plant and equipment and intangible assets, the company is providing the basis for future growth and long-term innovative excellence. We made product and structural investments in series production of BMW i models in Leipzig, Dingolfing and Landshut. The upcoming 2 Series Active Tourer, based on the new front-wheel-drive architecture, and the 4 Series, with three derivatives, are further examples of product investment. We also invested in equipment and ramp-up for new MINI derivatives.
The BMW Group also expanded its global production network in specific areas: At our US plant in Spartanburg, South Carolina, we expanded production facilities for the X4 and the up-coming X6. Spartanburg currently manufactures most of the BMW brand's SAV models. Over the past ten years, the plant has built around 2.5 million BMWs. We are also considering increasing the plant's capacity. Located in the world’s largest premium market, it is a decisive factor in the success of the BMW Group.

We also made structural investments in our new plant currently under construction in Brazil. In 2013, our Chinese joint venture also began construction of a new engine plant that will supply local vehicle production from 2016 onwards. Total investment included capitalised development costs of € 1.74 billion. At 36.4%, the capitalisation ratio was higher than the previous year.

This increase can be accounted for by the larger number of vehicles in series development. In previous years, the capitalisation ratio was slightly lower, since development expenses for BMW i products were reported directly in our income statement. In 2013, the BMW Group's capex ratio stood at 8.8% of revenue in 2013, exceeding our capex target of below 7%, as previously announced.

The BMW Group’s growth is set to take on a new dimension. Our capital expenditure is gearing our production network towards higher total capacity and an expanded model line-up.

A total of 12 new and four revised models will be released onto the market in 2014. The BMW Group now has one of the youngest product line-ups in the premium segment. New models will ensure that this momentum continues. We expect our capex ratio to be lower in 2014, moving closer to our capex target of below 7% of revenue. This will remain our guidance for the period up to 2016.
Let's take a look at our research and development expenditure: In 2013, the BMW Group spent € 4.79 billion on research and development – an increase of 21.3% compared with the previous year. As a result, the R&D ratio (HGB) rose to 6.3%, as forecast. We are working hard in preparation for stricter CO2 requirements after 2015, which represent a major challenge for us. We are responding early and will continue to be a pioneer in this field. We maintained our dual-track approach in 2013: on the one hand, refining our combustion engines to make them even more efficient and competitive; on the other, forging ahead with our development of new and alternative drive technologies.

The most important aspect here is e-mobility. In this area, we are refining both battery and fuel cell technology. This will allow us to offer emission-free driving for different ranges over the medium term. Our goal is to maintain the BMW Group's leading position in technology and efficiency in the future. This is a central aspect of our premium concept. Lightweight construction and intelligent in-car connectivity were further focal points. We expect our R&D ratio to be lower in 2014, closer in line with our target of 5-5.5% of revenue – which we are able to confirm for the period up to 2016.

We also want our investors to share in the success of the BMW Group. At this year’s Annual General Meeting, the Board of Management and Supervisory Board will propose a dividend of € 2.60 per share of common stock and € 2.62 per share of preferred stock for the 2013 financial year. In each case, this represents an increase of 10 cents over the previous year. It is the highest dividend ever paid.

The resulting dividend payment totals € 1.71 billion. 32.0% of our net profit for the year will therefore be paid out to shareholders. This means that our shareholders are currently earning a dividend yield of roughly 3.1% - or 4.1% for preferred stock. I would now like to talk in a little more detail about performance in the individual segments. First, the Automotive segment.
In 2013, Automotive segment revenues were on par with the previous year at € 70.63 billion, although negatively impacted by adverse foreign currency conversion. Adjusted for these effects, revenues increased by around 3.5%. Our business in Europe was also impacted by challenging market conditions. 44% of our total sales volume originated here in our largest sales region. The general weakness in demand in Europe spurred more intense competition. EBIT in the Automotive segment totalled almost € 6.66 billion – a decrease of 12.4% from the previous year. At 9.4%, EBIT margin for the segment remained within our target range of 8-10%, as forecast.

Here you can see the 2012 to 2013 reconciliation bridge. We were able to achieve a high level of EBIT, despite challenging conditions. Raw material and currency headwinds dampened earnings by € 214 million. Positive volume effects were overshadowed by intense competition in European markets. Changes to the sales mix impacted segment EBIT and depreciation also had a negative effect. The balance from efficiency gains, up-front investments and higher personnel costs is recorded under the item “Other changes”. Increases in efficiency partly offset higher impact for future projects.

If R&D spending, which rose by € 840 million (calculated in accordance with the German Commercial Code - HGB) is included, our investment in future projects totalled more than €1 billion. The EBIT margin of 9.4% in the Automotive segment does not take full account of our operating result in China: The at-equity result of our BBA joint venture is reported in our financial result. If this amount were included, our EBIT margin would be exactly 10.0%.

Free cash flow in the Automotive segment totalled almost € 2.5 billion in 2013. This was lower than the previous year, due to the € 1.5 billion increase in capital expenditure.
Nevertheless, at this solid level, we will be able to pay the previously mentioned € 1.71 billion total dividend from our free cash flow – fully underlining our operating and financial strength.

We expect an increasing free cash flow in 2014, despite further capital expenditure planned. The free cash flow should move closer to € 3 billion. We are maintaining our target of more than € 3 billion over the medium term and should be back at this level by 2016.

The BMW Group’s liquidity position once again remained extremely solid in 2013. At the end of the year, Group liquidity totalled € 10.72 billion. This assures the BMW Group the financial flexibility it needs for its operating business and growth.

For the first time, the Financial Services segment exceeded the four-million mark in 2013, with a portfolio of 4.13 million financing contracts. A total of 1.47 million new contracts with customers were concluded in this segment in 2013 – an increase of 9.7% over the previous year. Overall, Financial Services leased or financed 44% of new BMW Group vehicles. The penetration rate was therefore 3.6 percentage points higher than the previous year. This increase reflects the dynamic performance of our Financial Services business in 2013, despite the volatile market situation. BMW Financial Services made its strongest gains in the Asia/Pacific region, with a 23.6% increase in contract portfolio. In the Europe/Middle East region, the segment posted growth of 8.8%, while business in the Americas increased by 5.5%.

Financial Services reported pre-tax earnings of € 1.64 billion and was able to increase earnings by 5.0%. The total business volume, as disclosed on the balance sheet, climbed to € 84.35 billion – an increase of 4.2% from 2012. The Financial Services segment achieved a return on equity of 20.2% in 2013, meeting our RoE target of at least 18%.
Our balance sheet equity ratio stood at 9.1% at the end of the financial year, maintaining our solid capital equity position. The core capital ratios of regulated companies within the segment were even in the double-digit percentage range.

The Financial Services segment once again profited from attractive refinancing conditions in 2013. Owing to its financial strength and limited risk, the BMW Group was able to further improve its rating in December and is currently the only European automotive manufacturer with a long-term A+/Outlook Stable rating from Standard & Poor’s. The Group has a broadly diversified mix of refinancing instruments at its disposal. Worldwide access to capital markets and a high credit rating ensure optimal utilisation of financial resources.

I would like to highlight a few of our BMW Financial Services’ business activities.

- Our fleet services provider, Alphabet International, managed more than 535,000 fleet contracts in the 2013 financial year. Alphabet operates primarily in Europe, where it is the fourth-largest fleet management company. Its dynamic business development continued in 2013. Alphabet successfully integrated the first BMW i3s into corporate fleets last year as part of its AlphaElectric holistic e-mobility solution. With this comprehensive service range, Alphabet is both a pioneer and major contributor towards making electric driving accessible to customers across Europe.

- The expansion of the BMW Bank was completed in 2013. The Italian subsidiary was the last to be integrated as a branch of the BMW Bank. The German BMW Bank now encompasses all our activities in the European markets of Germany, Italy, Portugal, Spain and France.

BMW Financial Services benefitted from the stable risk situation in 2013. The credit risk situation continued to stabilise, thanks to the more positive
development of the global economy. The credit loss ratio for our portfolio fell to 0.46% – two basis points lower than last year and back at its level before the financial crisis.

Residual values for our off-lease vehicles also continued to improve. Used car prices trended upward slightly overall – with the exception of Southern Europe, which only stabilised at a low level. Average losses from residual value risks thus decreased. Financial Services made comprehensive risk provisions in 2013. Based on current assumptions, the segment appears well prepared for potential increases in credit and residual value risks. We expect the risk environment to remain largely stable, but cannot rule out higher volatility.

BMW Financial Services has set itself further growth targets for 2014, and will consolidate its worldwide product and service activities for individual mobility.

Let’s move on to our Motorcycles segment. BMW Motorrad celebrated its 90th anniversary in 2013. In its anniversary year, the brand reported for the third time in a row an all-time sales high. Deliveries increased by 8.3% to more than 115,000 units, despite a downward trend in the segment above 500 cc. Even in the challenging European market environment, BMW Motorrad was able to increase deliveries slightly, and made strong gains in Germany. The brand reported double-digit growth in a number of overseas markets, including the United States.

At the same time, motorcycle production got underway at a second location outside of Germany last year. Now, BMW motorcycles are also built for the local market at the BMW plant in Rayong, Thailand.

The Motorcycles segment reported higher revenues and EBIT than the previous year, which had been impacted by the sale of Husqvarna: EBIT reached € 79 million and the EBIT margin climbed to 5.3%.
BMW Motorrad will continue its product offensive in 2014. For the first time, our brand will also have a pure-electric vehicle, the C evolution maxi-scooter, on the market. Five other new models we presented last autumn will be launched this year, including the R nineT anniversary edition; the S 1000 R naked sport bike, the touring bike R 1200 RT and the R 1200 GS Adventure as a variant of our successful long-distance enduro. Another new release will be the K 1600 GTL Exclusive. With these attractive new models, BMW Motorrad is targeting sustained growth in its core segment and in the field of urban mobility.

Let's finish with a look at Eliminations. Inter-segment profits, mainly between the Automotive and Financial Services segments, are eliminated under this item. The impact on pre-tax results from eliminations was a negative € 527 million. This result represents an improvement of € 410 million from the previous year, largely due to eliminations of intragroup profits on leasing contracts.

The BMW Group has set itself ambitious growth targets for 2014 and strives to remain the world's leading premium car company: Our new models and the dynamic market environment in North America and China will provide positive momentum in sales volumes. A steady upward trend is forecast for the European automotive markets – although our business development could be affected if this fails to materialise. But, overall, we expect our positive business development to continue in 2014.

In line with the new standard regarding the combined management report, I would now like to qualify our business expectations in a little more detail. The new DRS 20 standard, established by the German Accounting Standards Committee, concerns primarily the forecast and risk and opportunities report. It requires more accurate forecasting during a shorter forecast period and a more precise guidance on anticipated changes in our key performance indicators.
Assuming economic conditions remain stable, Group profit before tax is expected to be significantly up on the previous year’s figure. As long as economic conditions remain consistent, we anticipate a significant rise in deliveries to a new high level. Our planning is based on a steady recovery in the European markets, as forecast, with significant growth in markets outside of Europe, including high single-digit growth in North America and low double-digit growth in China.

Our guidance could be changed if this does not occur. As a result of the large number of model launches, we expect sales in the second half of 2014 to be higher than in the first six months. Automotive segment revenues are expected to increase significantly in line with demand in 2014. However, currency factors could have a negative impact on revenues.

In the Automotive segment, despite high up-front investments and capital expenditure, we aim to achieve an EBIT margin within our target range of 8-10%. We are sticking to our targets. However, if political or economic conditions become less favourable, actual margins could be below the targeted range.

In the Financial Services segment, we expect our return on equity for 2014 to remain at at least 18%, as in previous years. Based on current planning, however, we forecast a slight decrease in return on equity compared with the previous year, as we make the necessary investments for further growth in this segment. From today’s perspective, it appears that the segment has made adequate provisions for the risks associated with financial services business.

Our BMW Motorrad business should continue its positive development in 2014. Despite persistently challenging market conditions, we expect that deliveries of BMW motorcycles are slightly up on the previous year. Our attractive new model line-up will contribute to this.
The guidance assumes that overall political and economic conditions remain mostly stable. Further risks stem from the continued high levels of national debt in certain countries and the economic slowdown in emerging markets. Latest signals show a substantial increase in volatility on currency markets. The uncertainties in the emerging markets may have an impact on our sales volume.

The BMW Group looks towards the future with confidence. Our strong premium brands and attractive products place us in a position of strength. We are taking the necessary measures today to remain not only competitive in the future but to expand our role as technology leader in the premium segment. This is what sets the BMW Group apart from the competition.

Thank you.