BMW GROUP PERFORMANCE IN CHINA

PETER VAN BINSBERGEN, SENIOR VICE PRESIDENT SALES & MARKETING, BMW BRILLIANCE AUTOMOTIVE

2014.07.09 Beijing
CONTENTS.

– BMW Group Performance in China
– BMW Group Dealer Network in China
– BMW Customer Base in China
– High Quality Development
– Sustainable Development
SUSTAINABLE DOUBLE DIGIT GROWTH FOLLOWS THE 45% GROWTH (CAGR) BETWEEN 2005 AND 2012.

BMW Group Sales Development

New car sales ‘000 units

<table>
<thead>
<tr>
<th>Year</th>
<th>BMW</th>
<th>MINI</th>
<th>New Car Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>24</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>2008</td>
<td>66</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>2011</td>
<td>232</td>
<td>232</td>
<td>232</td>
</tr>
<tr>
<td>2012</td>
<td>326</td>
<td>326</td>
<td>326</td>
</tr>
<tr>
<td>2013</td>
<td>391</td>
<td>28</td>
<td>362</td>
</tr>
</tbody>
</table>

BMW segment share: 22.8% in 2006, 25.5% in 2013
MINI segment share: 0.7% in 2006, 2.2% in 2013

Source: sales data
WEST/SOUTH REGION AND TIER 4/5 CITIES LEAD THE GROWTH.

**BMW Sales Growth by Region**  
2013 vs. 2012

- West: +44%  
- South: +28%  
- Southeast: +17%  
- East: +13%  
- North: +13%

**BMW Sales Growth by City tier**  
2013 vs. 2012

- Total China: ~23%  
- Tier1 Cities: ~20%  
- Tier2/3 Cities: ~20%  
- Tier4/5 Cities: ~37%

- West and South regions provided stronger growth potential in 2013.

- The early network expansion into lower Tier cities was a major contribution to BMW’s success in 2013.

Source: registration, BMW internal analysis

BMW Group performance in China, 2014, Beijing
SUSTAINABLE AND PROFITABLE GROWTH THROUGH A LONG-TERM VIEW.
13 TIMES CONSECUTIVELY, BMW WAS AWARDED THE “BEST CAR BRAND” BY AMS CHINA.

BMW was awarded as **Best Car Brand** with “Well made”, “Good looks/styling” and “I like this brand” in the “best cars 2014”.

BMW 3 series was awarded “Best Domestic Mid-sized Car” & “Best Mid-sized Car” in the “Best Cars 2014”.

BMW Group performance in China, 2014, Beijing
STRONG FOCUS ON EXPERIENTIAL HAS REINFORCED THE BMW BRAND IDENTITY & PRESENCE IN CHINA.

**Brand Development**
- BEC Opening
- With Passion Campaign
- Shanghai Marathon

Expanding bigger customer base & interactive branding

**Experiential Marketing**
- Mission 3
- Experience Day
- Local Motorshow

Unique experience to the customers across the country.

**New Car Launch**
- F18 LCI Launch
- F34 Launch

BMW Group performance in China, 2014, Beijing
LOCALIZATION OF PRODUCTION WITH CHINA-SPECIFIC PRODUCTS KEY TO THE GROWTH IN CHINA.

<table>
<thead>
<tr>
<th>Local production</th>
<th>Sales contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Local production cars" /></td>
<td>59% (2014 YTD MAY)</td>
</tr>
</tbody>
</table>

| Imported (BMW & MINI)                                                                                                 |
| ![Imported cars](image2)                                                                                              | 41% |

BMW Group performance in China, 2014, Beijing
BETTER SALES FUNNEL MANAGEMENT BRINGS HIGHER CUSTOMER SATISFACTION AND CONVERSION RATE.

Better Operational Steering Through More Transparency

- Modular Loyalty Platform
- Central Data Analysis Services for Dealers
- Sales Funnel Management On-site Coaching
- Test Drive on-site Coaching
- Business Development Center
AFTERSALES SECURES CUSTOMER LOYALTY THROUGH FOCUSING ON CUSTOMER NEEDS.

Maintaining Joy.
Customer Experience

Efficient
- BMW 1-hour Oil Service
- BMW Fast Lane Service
- BMW Body & Paint Quick Repair
- BMW Evening Service
- Appointment Booking Standard
- Parts Supply Network
- Dealership Coverage
- PuMA Quality Offensive

Transparent
- CBS (condition based service)
- BMW/MINI SRP (Service Repair Package)
- E-Workshop
- Workshop Visibility
- Aftersales Service Day
- Car Usage Training

Care
- Customer Care Hotline
- Accident Hotline Service
- Roadside Assistance
- Mobility Service
- High Value Customer (HVC)
- MINI Service Separation
- End of Warranty Check

Quality in Service

BMW Group performance in China, 2014, Beijing
FUTURE RETAIL IN CHINA – MAKING RETAIL FUTURE-PROOF.

Future Retail is a global BMW Group initiative to:
- Increase the number of possible contact points with customers and prospects.
- Increase the services and benefits offered in its retail channels.
- Enhance the retail experience at all touch points.
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CHINA: FURTHER GROWTH OF PREMIUM-RELEVANT UPPER AND UPPER MIDDLE CLASS.

Income class definition by annual household income
(inflation and purchasing power parity adjusted, base year 2005)

- **Upper Class** (>100k USD)
- **Upper Middle Class** (60-100k USD)
- **Middle Class** (40-60k USD)
- **Lower Middle Class** (20-40k USD)

2012:
- 15mn premium-relevant households
  - Upper Class: 11
  - Upper Middle Class: 24
  - Middle Class: 23
  - Lower Middle Class: 105

2025:
- Around 46mn premium-relevant households
  - Upper Class: 31
  - Upper Middle Class: 73
  - Middle Class: 107
  - Lower Middle Class: 213

Source: Global Insight

BMW Group performance in China, 2014, Beijing
BMW DEALER NETWORK KEEPS HEALTHY EXPANSION, WITH 428 BMW DEALER OUTLETS IN OPERATION BY END OF MAY 2014.

Status: as of May 31st, 2014
STRUCTURED APPROACH FOR LONG TERM DEALER NETWORK PLANNING.

- Post Code Level Registration Data
- Socio-Dem. Data
- Long Range market prediction

**Methodology**

**Planning premises**
- City tier categorization
- Potential forecast
- Territorial breakdown

**County-Level Sales Potential Analysis**

**Methodology**

**Adhoc Impact Scenarios**
- Impact on existing outlets
- Driving time
- Retail formats
- Workbay demand
- Profitability
- Competitors

**Format-based differentiated Network Planning**
FIT THE NETWORK FORMAT TO THE NEED AND LOCATION.

Necessity to diversify retail formats

- Enhancement of **Brand Accessibility**
- Approach and development of **new customer** groups
- **Optimization** of retail channel network
- Increase of network **coverage**
- Development of more **flexible and scalable** types
- Meet customer’s demands and expectations
- Improvement of dealer **profitability and stability**

“Brand Enhancement and Profit Stabilization”

<table>
<thead>
<tr>
<th>4S/5S</th>
<th>Service Center</th>
<th>Fast Lane City</th>
<th>Used Car Center</th>
<th>BMW Premium Selection Showroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Showroom</td>
<td>Fast Lane Rural</td>
<td></td>
<td>M Showroom</td>
<td></td>
</tr>
</tbody>
</table>

- **2003-2006**
- **2007-2009**
- **2010**
- **2011**
- **2012**

BMW Group performance in China, 2014, Beijing
CONTINUE TO EXPAND PROFIT DRIVERS TO ACHIEVE SUSTAINABLE GROWTH TOGETHER.

Before

<table>
<thead>
<tr>
<th>China Market Average New Car Sales %</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;90%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Others</th>
<th>New car sales</th>
</tr>
</thead>
</table>

More Profit Drivers

- Aftersales
- Financial Services
- Fleet Sales
- Customization
- Used Car

Over 90% revenue contribution comes from new car sales only in China.

Source: Deloitte research (2012 China auto dealer risk research report)
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- Sustainable Development
UNDERSTANDING THE DIVERSITY OF CUSTOMER PROFILE TO BETTER SATISFY CUSTOMERS’ DIFFERENT NEEDS.
STRONG MODEL MIX ACROSS ALL TIERS IN CHINA.

<table>
<thead>
<tr>
<th>TIER 1</th>
<th>Luxury</th>
<th>Upper Medium</th>
<th>Lower Medium</th>
<th>Small/Compact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7%</td>
<td>48%</td>
<td>31%</td>
<td>14%</td>
</tr>
<tr>
<td>TIER 2</td>
<td>7%</td>
<td>52%</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>TIER 3/4</td>
<td>8%</td>
<td>54%</td>
<td>25%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Source: registration

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EXTENSIVE NETWORK OF TRAINING FACILITIES SUPPORTS HIGH QUALITY RETAIL DEVELOPMENT.

- Training Center: 3 existing + 1 new
- Training Base: 15
- Temp. Training Site: 2
- Body and Paint Site: 11

BMW Group performance in China, 2014, Beijing
CONTINUOUS INVESTMENT IN PEOPLE AND PROCESSES RESULTS IN TOP RANKINGS IN J.D. POWER AFTERSALES CUSTOMER SATISFACTION.

BMW shows continuous improvement and achieves top ranking among luxury brands for past consecutive years, according to J.D. Power CSI result.
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SUSTAINABILITY FROM DESIGN THROUGH TO RETAIL.

Product Design → Production → Retail

- e.g. Efficient Dynamics
- e.g. BBA Tiexi Plant
- e.g. 5S Dealership
BMW IS THE 1\textsuperscript{ST} TO INTRODUCE THE 5S CONCEPT – THE BALANCE BETWEEN ECONOMIC, ENVIRONMENT AND SOCIAL ASPECTS.

<table>
<thead>
<tr>
<th>Economic</th>
<th>Environment</th>
<th>Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Mobility</td>
<td>Sustainable Design</td>
<td>Attractive Employer</td>
</tr>
<tr>
<td>Sustainable Training</td>
<td>Recycling &amp; Waste Management</td>
<td>CSR on Dealer Level</td>
</tr>
<tr>
<td>Customer Orientation</td>
<td>Sustainable Service Operation</td>
<td>Customer Involvement</td>
</tr>
</tbody>
</table>
5S DIFFERENTIATES FROM OTHER OUTLETS BY THE EFFORTS IN CUSTOMER INVOLVEMENT, HEALTH & SAFETY AND EMPLOYEE CARE.

- Waterborne Paint
- Paint Shop Ventilation
- Car Wash Water Recycling
- Health & Safety Training
- Social Contribution
- Waste & Recycle training
- Wind Turbines
TOGETHER WITH OUR DEALERS, BMW CONTRIBUTES TO A SUSTAINABLE SOCIAL DEVELOPMENT.

200+ Dealers’ WHF Activities from 2011-2013
THANK YOU FOR YOUR ATTENTION!