



Harald Krüger
Chairman of the Board of Management

Dear Shareholders,

On behalf of the Board of Management and our nearly 135,000 associates worldwide, I would like to thank you for joining the BMW Group on its journey into the future.

Tech company in the premium mobility sector

Individual mobility, in all its facets, remains our core competence. We are reminded, time and again, that long-term success demands fresh thinking and bold action.

Digitalisation is changing every industry and every aspect of our lives. We have set ourselves a clear goal: to be a leading tech company for premium mobility by 2025 – and we are developing our business model in this direction. Our Strategy NUMBER ONE > NEXT has three main approaches: profitability, growth and future – all of them geared towards our customers' ever-evolving needs and desires.

iNEXT – a building block for the future

We are moving autonomous driving forward with a combination of enthusiasm and sound judgement. Safety is for us an absolute priority in this area. In 2021, we will release the BMW iNEXT, a vehicle that brings together several future technologies: a futuristic interior, full connectivity and an electric range of up to 700 km. This marks the beginning of highly automated driving. At the same time, we are also testing autonomous driving with a fleet of 500 iNEXT vehicles in urban settings.

Mobility services from a single source

We are creating new mobility offerings and digital services that will enable customers to bring their digital world into the car. Combining our mobility services in a joint venture with the Daimler Group will allow us to offer customers a single source for all their mobility needs with a single touch.

Uncertainty is part of our business

2018 was a challenging year for our industry, due to trade conflicts and the uncertainty surrounding Brexit: vehicle sales declined across the globe for the first time since the global economic and financial crisis.

Volatile markets, tough competition and various operating conditions in different countries are all part of our business. The BMW Group has had to overcome difficult hurdles many times in its history. In such moments, we have always stayed the course with a steady hand at the wheel.

WLTP systematically implemented

A current example of this is the switch to the new WLTP test procedure in Germany and Europe. We implemented the new requirements in our vehicles systematically and early. That is how we operate as a company. We will also continue to meet ambitious targets to reduce CO₂ emissions in Europe and the rest of the world.

Eighth consecutive sales record

Because customers around the world value our cars and motorcycles so much, the BMW Group was able to post record sales for the eighth consecutive year. The BMW Group has been number one in the global premium segment for the past 15 years. Our brands BMW, Rolls-Royce and BMW Motorrad achieved new all-time highs, while MINI reported its second-highest sales result ever.

For the first time, BMW M GmbH broke through the 100,000 unit sales mark with its M and M Performance models.

Despite tough headwinds, second-best result in our history

Group earnings before tax and annual net profit were both the second-highest in our history. As previously announced, earnings before tax were moderately lower than last year's record figure.

With an EBIT margin of 7.2 percent in the Automotive segment, we exceeded our adjusted target. This figure only partially includes our China business, as is usual. The Group EBT margin of 10.1 percent was above our 10 percent target for the eighth consecutive year. Once again, our financial services business made a significant contribution to the Group result.

Dear Shareholders, your company is on a very solid footing and possesses considerable financial strength. This means we can continue to invest in new technologies, services and our locations as our springboard to the future.

Systematic electrification for emissions-free driving

The future belongs to electric mobility – there is no doubt in my mind about that. But it's certainly not a sprint, it's a marathon. By late 2019, we aim to have half a million electrified BMW Group vehicles on the roads.

The trend is clear: in Europe, no other manufacturer sells more electrified vehicles than the BMW Group. Between 2015 and 2018, sales of our electric models and plug-in hybrids increased more than fourfold.

We are also number one worldwide in registrations of plug-in hybrid vehicles. This technology not only gives our customers access to electric driving, it is also a quick and pragmatic way to improve air quality in cities. Studies show that plug-in hybrids with an electric range of at least 60 km are driven in electric mode just as often as pure-electric models.

And there's more coming on the electric side: 2019 will bring plug-in hybrid variants of the new BMW 3 Series, X5 and 7 Series. The X3 will also be available for the first time with a hybrid drive train. These will be joined by the first fully electric MINI and, in 2020, by the first fully electric BMW – the iX3.

By the end of 2020, we will have more than ten new and revised models with an electrified drive train. Thanks to flexible vehicle architectures, our plants will be able to build different drive types.

The heart of an electric vehicle is the electric motor and the battery. We produce both the electric drive and the high-voltage battery in-house. In the summer, we will open the new BMW Group Battery Cell Competence Centre in Munich, where we will develop so-called build-to-print prototypes. For production of base cells, we will be working with the world's largest manufacturer of automotive battery cells, CATL, from China, and with Northvolt in a European consortium.

Dear Shareholders,

Your Company is innovative, profitable and versatile. This year, 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. This is the second-highest dividend the company has ever paid in its history. BMW AG associates in Germany will also benefit from the company's positive performance through our profit-sharing programme.

The current business and political environment remains complex and challenging, overshadowed by uncertainty. That is not going to change any time soon. But we do not shy away from such challenges. This is what spurs us to give our best and search for new and innovative solutions.

It also applies in our competition with both new and established companies.

At the BMW Group, we continue to navigate our own course. Our aim remains to be both a driving force and an innovator, able to lead individual mobility into a new era for our customers: one that is sustainable, connected and autonomous.

Above all, we are committed to focusing all our efforts on bringing the EBIT margin in the Automotive segment back within our target range of 8 to 10 percent.

We aim to ensure that your Company remains an attractive investment as we move towards the future.

Yours
H. Krüger

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Chairman of the Board of Management