



**Harald Krüger**  
Chairman of the Board of Management

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## Dear Shareholders,

Progress is not possible without change. Change is a constant in all of our lives. The BMW Group charts its own course – with innovation, determination and foresight. We want to offer solutions for the challenges of today and tomorrow. Each and every one of our associates is giving their all. Our corporate culture encourages values of openness and transparency in our everyday actions.

### **Financial year 2017: goals accomplished**

At the BMW Group, we stand by our promises. And we deliver! We achieved our targets for the financial year 2017, with new all-time highs for automobile and motorcycle deliveries, as well as Group pre-tax earnings.

### **BMW Group leads global premium segment in 2017**

More and more customers are buying vehicles built by the BMW Group. Our customers have made this company a leading manufacturer in the global premium segment for the past 14 years. For the seventh consecutive year, sales reached a new all-time high in 2017. As forecast, automotive deliveries rose slightly to 2.46 million vehicles. This represents an increase of 4.1 percent in a highly competitive environment.

Our strong, emotional brands are extremely desirable to customers. In Fortune Magazine's "World's Most Admired Companies", the BMW Group is now the highest-ranked automobile manufacturer in the top 20 and the most admired European company.

### **All-time highs for BMW, BMW M, MINI and BMW Motorrad**

Our core BMW brand once again sold more than two million vehicles in 2017 – over four percent more than the previous year. BMW M GmbH also contributed to this, reporting record deliveries of more than 80,000 M and M Performance models for the first time.

MINI sales climbed more than 3 percent to over 370,000 vehicles. BMW Motorrad saw a significant increase, with deliveries of motorcycles and scooters up more than 13 percent to 164,000 units. In the ultra-luxury segment, Rolls-Royce was unable to match the previous year's strong result. With the Phantom model changeover and in a difficult environment, sales decreased by around 16 percent to 3,362 vehicles.

### **Milestone: over 100,000 electrified vehicles sold**

Electric mobility is currently our main strategic focus. We reached an important milestone on the road to sustainable mobility last year, when I presented the 100,000th electrified vehicle sold by the BMW Group to its new owner at BMW Welt in Munich. It was a BMW i3, purchased by an 80-year-old customer – which just goes to show that it is never too late to switch to an electric car.

In 2017, we delivered 103,080 cars with electrified drivetrains to customers. Overall, sales of our BMW i models together with BMW iPerformance and MINI Electric plug-in hybrids increased by two-thirds over the previous year.

### **Every customer and every market counts**

It is part of our philosophy that every customer counts – and so does every market. We aim for a balanced distribution of sales across the main market regions of Europe, Asia and the Americas. This enables us to balance out regional market fluctuations.

Asia was the main growth driver in 2017 and China the most important single market. In Mainland China, deliveries climbed to more than 590,000 vehicles. In Europe, sales remained on a par with the previous year, at around 1.1 million units, despite a downturn in the UK, with ongoing Brexit negotiations. In the Americas and the US, we saw slight decreases, with total sales of around 450,000 vehicles for the region. However, the trend has reversed in the US since late 2017.

### **Our value creation is as global as it is flexible**

The high flexibility of our global production network lays the foundation for the BMW Group's continued growth. In 2017, twice as many vehicles came off the production line than in 2009. The company currently operates 31 facilities in 14 countries, and we continue to invest in our locations in Germany and worldwide. A good example of this is the major expansion of our Dadong plant in Shenyang, China, which we operate as part of our joint venture with Brilliance China Automotive Holdings Ltd.

In San Luis Potosí, Mexico, plant construction is proceeding according to schedule. We are already qualifying young specialists at our new training centre there. Over the next few years, we will see different types of drivetrains on the roads. We are preparing our sites for this diversity by creating flexible architectures and plants. This will allow us to produce models with efficient combustion engines alongside electric vehicles and plug-in hybrids. From 2020 on, the use of scalable modular electric construction kits will enable us to fit all model series with any type of drivetrain. This will make us extremely flexible, whichever way demand develops.

### **Financial indicators reach new highs**

In the financial year 2017, Group revenues rose slightly to reach a new all-time high of 98.7 billion euros. Earnings before tax posted a significant increase of 10.2 percent year-on-year and exceeded 10 billion euros for the first time. Annual net profit was up 26 percent to 8.7 billion euros.

The Group financial statements also reflect the positive impact of the tax reform in the US. The EBIT margin in the Automotive segment stands at 8.9 per cent and therefore remains within our target range. The Financial Services segment once again made a significant contribution to the Group result, with pre-tax earnings of more than 2 billion euros.

### **Significantly higher dividend**

Dear shareholders, your company remains on track for success – and it is only fitting that you should share in that success. The Board of Management and Supervisory Board will therefore propose to the Annual General Meeting that the unappropriated profit of BMW AG for the financial year 2017 be used to issue a dividend of 4.00 euros per share of common stock and 4.02 euros per share of preferred stock. That is the highest dividend the company has ever paid. BMW AG associates in Germany will also benefit from the company's positive performance through our profit-sharing programme.

## **The momentum will continue in financial year 2018**

### **Phase II of the biggest model offensive in our history**

In 2018, we will enter the second year of the biggest model offensive in our history. We will continue moving forward, with highly emotional new models like the BMW i8 Roadster and the BMW Z4.

We are focusing on two segments in particular: first, the highly profitable luxury class. Here, we will be launching new luxury models like the BMW 8 Series, the BMW X7 and the Rolls-Royce Phantom onto the market. These will bring us closer to our goal of occupying the leading position in the luxury segment.

2018 will also be our “X year”, with the expansion of our highly successful BMW X family. As well as the X7, this will include the new X3 available since late last year, the cool new X2 and the new X4. I am sure our new X vehicles will totally appeal to our customers.

### **Half a million electrified vehicles in total by the end of 2019**

Electrification will remain a top priority for us over the coming years. We aim to sell more than 140,000 electrified vehicles in 2018 and have half a million electrified BMWs and MINIs on the roads by the end of 2019.

When the BMW i3 was released in 2013, not many would have believed that the BMW Group would today be leading the market for electrified vehicles in Europe. Today, in this growing segment, we already have a much larger market share than in traditional drivetrains.

All our brands will gradually be electrified. All electrified BMW models will become part of BMW i. We have a clear roadmap to 2025: in 2019, a battery-electric MINI; in 2020, the first fully electric model from the core BMW brand, the X3. These will be followed in 2021 by the iNEXT, our new technology flagship, which the whole company will learn from.

### **BMW i Vision Dynamics eagerly awaited**

This concept car was one of the stars of the Frankfurt Motor Show in 2017. In the BMW i Vision Dynamics, we are targeting an electric range of 600 kilometres – fifth-generation storage and battery technology will make this possible.

### **Electrification pays off:**

#### **European fleet CO<sub>2</sub> emissions continue to fall**

By stepping up the pace on sustainable drivetrains, we are also reducing our fleet CO<sub>2</sub> emissions. This was also the case in 2017, even though the percentage of diesel vehicles decreased, partly due to the current discussions in Germany. Emissions figures for our new vehicle fleet in Europe currently stand at 122 grams of CO<sub>2</sub> per kilometre. We have a clear objective to meet the European Union’s emissions requirements from 2021.

### **Developing electric mobility infrastructure**

Against this backdrop, we are actively supporting infrastructure development. We aim to be a system provider for electric mobility: with ChargeNow and IONITY for charging infrastructure, the new BMW Energy Services business segment and our Battery Cell Competence Centre in Munich.

### **The future belongs to autonomous driving**

We will officially open our campus for autonomous driving, just outside Munich, in spring 2018. Here, we will work with our partners, Intel and Mobileye, to develop autonomous driving – which we see as one of the main driving forces for the mobility of tomorrow. A growing number of renowned companies from different industries are joining our shared platform. We believe that security is vital to autonomous driving – not just with respect to the vehicles themselves, but also customer data.

Ten million BMW Group vehicles are already connected via Connected Drive. It takes about 25 million test kilometres to get an autonomous vehicle ready for series production. In 2018, our fleet of autonomous BMW 7 Series models will continue to collect data on the roads, mainly in Germany, Israel and California.

### **Global expansion of the NOW family**

Systematic expansion of our mobility services is firmly anchored in our Strategy NUMBER ONE > NEXT. In early 2018, we signed a contract to acquire 100 percent of DriveNow. Our premium car-sharing service already has over a million customers in 13 cities. A growing number of older people, families and business travellers are also using DriveNow. Our ReachNow service is available in the US and, since late 2017, also in China, in collaboration with a local partner.

Finding a parking space is a problem for many drivers. Earlier this year, the BMW Group acquired Parkmobile LLC, in a move that makes us the largest provider of mobile parking services in North America and Europe, with 22 million customers in 1,000 cities.

**Dear Shareholders,**

These examples show how we are successfully shaping the future of mobility in all its different facets. With your support, we are transforming ourselves into a tech company for mobility with a clear focus on customers and service. You have given us your backing for our long-term approach with Strategy NUMBER ONE > NEXT. For that, I would like to thank you personally, and on behalf of the entire Board of Management and our associates worldwide.

**Our associates stand behind Strategy NUMBER ONE > NEXT**

According to our most recent employee survey, 90 percent of our associates say they are proud to work for the BMW Group. More than 80 percent say they are familiar with the target and content of our strategy. This shared understanding will give us even greater momentum. We all want the BMW Group to be the first place customers turn to for individual premium mobility experiences. We aim to be the clear number one.

**Your company delivers consistently high profitability**

Of course, dear shareholders, that also means ensuring your company remains profitable. The BMW Group has the financial resources to fund these upfront investments in the future – which gives us a clear competitive edge. Our R&D ratio will increase in 2018, from 6.5 to 7 percent, or around 7 billion euros. Expenditure will also remain high in 2019. For the past eight years, we have kept the EBIT margin in the Automotive segment within our target range of 8 to 10 percent, or higher, from one quarter to the next. We intend to maintain this high-level of consistency.

**Top-rated European automobile manufacturer**

Our sharp focus on the future, combined with solid financials, enables us to have easier access to international capital markets. Moody's has upgraded BMW AG's long-term rating to A1. Our company also has the highest Standard & Poor's rating of any European automobile manufacturer.

We will continue to follow our path, taking advantage of the opportunities that arise. By doing so, we can ensure that BMW AG remains an attractive investment over the long term and a company with a promising future.

*Yours*  
*H. Krüger*

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