BMW Group
Corporate and Governmental Affairs

Media Information
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BMW Group: Market climate significantly deteriorated

Additional burden of approx. euro 1.3 bn in first three quarters
Nine-month EBIT down to euro 1,639 million
Operational improvements achieved in first nine months
Forecast for 2008 no longer possible due to financial crisis
Clearly positive earnings expected for the full year
Profitability targets for 2010 and 2012 confirmed
BMW Group will emerge stronger from current market climate

Munich. The knock-on effects of the international financial crisis and a downturn in the global economy had a significant negative impact on the performance of the automobile industry in the third quarter. Ongoing consumer reticence on the main sales markets, the weak state of the pre-owned car markets together with difficult refinancing conditions also took their toll on the BMW Group, resulting in a perceptible drop in revenues and earnings.

Group revenues for the quarter were down by 8.6% to euro 12,588 million (third quarter 2007: euro 13,778 million). The profit before financial result (EBIT) fell by 60.2% to euro 387 million (third quarter 2007: euro 973 million) reflecting the significant impact of adverse external factors. The pre-tax profit, at euro 279 million (third quarter 2007: euro 765 million), was down by 63.5%. The profit after tax decreased by 62.9% to euro 298 million (third quarter 2007: euro 803 million).

Higher expense for residual value and bad debt risk provision

Nine-month revenues increased marginally to euro 40,425 million (first nine months 2007: euro 40,412 million). EBIT amounted to euro 1,639 million (first nine months 2007: euro 2,904 million/-43.6%) and the profit before tax was euro 1,522 million (first nine months 2007: euro 2,682 million /-43.3%), both below the previous year's figures. Group net profit fell by 39.7% to euro 1,292 million (first nine months 2007: euro 2,143 million).

In the face of a general reticence to spend by consumers, the ongoing difficulties of the pre-owned car markets and increased bad debt risks, the BMW Group again raised its provision for residual value risks and credit risks during the third quarter. The expense for risk provision was euro 342 million in the third quarter,

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bringing the total expense recognised in the first nine months of the year to euro 1,037 million. In addition, a further euro 258 million was incurred during the period from January to September in conjunction with previously announced measures to reduce the size of the workforce.

BMW Group will emerge stronger from current difficult situation

“The financial crisis is by no means behind us yet, particularly its impact on the real economy in 2009. The automobile industry is without doubt facing some extreme challenges. However, we need to look at the opportunities such times may bring us. As a strong and innovative company, the BMW Group will overcome the current difficult situation, putting it into an excellent starting position for the future”, stated Norbert Reithofer, Chairman of the Board of Management of BMW AG in Munich on Tuesday.

Due to the worsening of the financial crisis, it is currently impossible to make stable forecasts for the rest of the year and beyond. “Difficult business conditions and the volatile climate on the market mean that it is as good as impossible from today’s perspective to make a reliable prediction of the earning outcome for the financial year 2008. We will, however, achieve a result that is clearly positive“, continued Reithofer. Previously, the BMW Group had forecast a return on sales of at least 4% for the year: this is no longer feasible given the sharp deterioration in market conditions.

The BMW Group forecasts that its worldwide sales volume for the full year will not be as high as the previous year’s record level. In view of the weak state of the global economy, the BMW Group will bring production volumes into line with market demand, and in additional to the 25,000 units already announced, will cut back production for the year by at least a further 40,000 units compared to the original forecasts. The BMW Group has a highly versatile production network with flexible working-time accounts which allow it to “breathe”.

Profitability programme generates operational improvements

A host of efficiency improvement measures are being implemented at great pace on both the cost and the revenues side to enable the BMW Group to rise to future challenges. One important aspect of this is investment in the future, pushing ahead for example with measures such as “EfficientDynamics” and “project I” as part of its strategy Number ONE. The sharper focus on profitability will result, amongst other things, in product decisions being revisited. As a result, the BMW Group will no longer produce a series version of the Concept CS since this vehicle does not meet the internal requirements for rates of return.

The BMW Group has continued to achieve improvements in operational terms during the period under report, even if the general positive trend has been increasingly overshadowed by the impact of adverse external factors (risk provision and severance pay) totalling approximately euro 1.3 billion.

The BMW Group has significantly increased efficiency in the area of research and development, with third-quarter R&D expenditure down by 5.1%. Sales and general administrative costs also fell sharply after adjustment for severance pay expense. Third-quarter cost of sales was reduced by 5.5% despite the higher level of expense recognised in the areas of risk provision, currency and raw materials. This is a clear indication that efficiency improvements are beginning to benefit material and fixed costs.

Discussions are currently being held with the Works Council with a view to achieving a closer link between voluntary payments over and above union-agreed rates and the BMW Group’s financial performance. These negotiations have already resulted in some successes. In view of the expected decrease in company earnings, the employee profit share for the current financial year (which is due for payment in 2009) will be reduced compared to the previous year. The Christmas bonus for the current year will be paid on the old basis. From 2009 onwards, a new basis will be used.

In the light of the increasing effectiveness of its profitability improvement measures as part of the strategy Number ONE, the BMW Group continues to target a group return on sales of at least 6% for the year 2010. This does, however, depend on the markets recovering. For the year 2012, the BMW Group continues to target a return on capital employed (ROCE) in excess of 26% and an EBIT margin of between 8% and 10% for its Automobile segment.

Numerous new models launched

The BMW Group will launch a number of new models in the near future that will provide momentum for business. The revised models of the BMW 3 Series Limousine and the BMW 3 Series Touring have already been available on European markets since the end of September. The new Rolls-Royce Phantom Coupé has also been available on the markets since September. The new BMW 7 Series will follow in mid-November. The BMW Group also presented three concept vehicles -- the BMW Concept X1, the BMW Concept 7 Series Active Hybrid and the MINI Crossover Concept -- at the Automobile Show in Paris. With the BMW X6 Active Hybrid and the BMW 7 Series Active Hybrid, two models employing the highly efficient Active Hybrid technology will be available in series cars from the beginning of the coming year.

Automobiles segment earnings adversely affected by external factors

In addition to model life-cycle factors, the third quarter sales volume performance was perceptibly affected by reduced customer spending in the wake of the financial crisis. The total number of BMW, MINI and Rolls-Royce brand vehicles delivered to customers decreased by 4.2% to 349,098 units (third quarter 2007: 364,564 units). Sales of BMW brand cars went down by 5.3% to 290,661 units (third quarter 2007: 306,964 units). MINI registered a 1.4% sales volume increase to 58,105 units (third quarter 2007: 57,315 units) despite the forthcoming model change of the Convertible. Rolls-Royce achieved a significant sales volume, with 332 units (third quarter 2007: 285 units) sold.

The number of cars sold in the first nine months of the year edged up by 1.7% to 1,113,972 units (first nine months 2007: 1,094, 849 units). Sales of BMW brand cars, at 928,230 units, were almost at the previous year’s level (929,379/-0.1%). The MINI brand also made good progress, with sales up by 12.1% to 184,915 units (first nine months 2007: 164,891 units). Rolls-Royce handed over

827 units to customers (first nine months 2007: 579 units), 42.8% up on the corresponding period last year.

Third-quarter earnings of the Automobile segment were adversely affected by uncertainties on the part of consumers, the higher expense recognised for residual value risks, currency factors and high raw material prices. EBIT fell by 82.1% to euro 141 million (third quarter 2007: euro 788 million) and the profit before tax decreased by 97.4% to euro 18 million (third quarter 2007: euro 704 million). Revenues decreased by 15.2% to euro 11,113 million (third quarter 2007: euro 13,107 million).

Nine-month revenues dipped by 4,5% to euro 37,029 million (first nine months 2007: euro 38,782 million). The EBIT of the Automobiles segment decreased by 49.2% to euro 1,155 million (first nine months 2007: euro 2,273 million) and the profit before tax fell by 58.3% to euro 882 million (first nine months 2007: euro 2,114 million). The expense for risk provision during the first nine months of the year was euro 560 million.

Third-quarter sales volume increase for BMW Motorcycles

The BMW Group's Motorcycles segment sold 24,818 units in the period from July to September (third quarter 2007: 23,549 units), an increase of 5.4% over the previous year. This performance was helped by the positive resonance received from customers and media for the new F 650 GS and F 800 GS models.

Revenues of the Motorcycles segment for the three month period increased by 4.6% to euro 271 million (third quarter 2007: euro 259 million). As a result of adverse external factors, EBIT fell to a negative euro 5 million (third quarter 2007: positive EBIT of euro 7 million). The loss before tax was euro 7 million (third quarter 2007: profit before tax of euro 5 million). The number of motorcycles sold during the nine-month period fell by 2.5% to 80,750 units (first nine months 2007: 82,779 units), while segment revenues slipped by 1.4% to euro 1,008 million (first nine months 2007: euro 1,022 million). EBIT fell by 14.7% to euro 87 million (first nine months 2007: euro 102 million) and the profit before tax dropped by 15.8% to euro 80 million (first nine months 2007: euro 95 million).

Financial services business severely affected by credit crisis

The knock-on effects of the international financial crisis severely affected financial services business during the period under report. Third-quarter segment revenues rose by 14.4% to euro 4,084 million (third quarter 2007: euro 3,569 million). Third-quarter segment EBIT turned from a positive amount of euro 176 million in 2007 to a loss of euro 26 million in 2008. The pre-tax loss was euro 17 million (third quarter 2007: pre-tax profit of euro 191 million). In the third quarter 2008, the Financial Services segment recognised an additional provision expense for credit risks and residual value risks amounting to euro 232 million. The expense for the nine-month period totalled euro 477 million. Earnings were also adversely affected by higher refinancing costs caused by wider credit spreads on the capital markets.

Revenues increased by 17% during the period under report to euro 11,818 million (first nine months 2007: euro 10,101 million). EBIT fell by 83.1% to euro 92 million (first nine months 2007: euro 545 million). The segment profit before tax fell by 76.7% to euro 131 million (first nine months 2007: euro 563 million).

The business volume of the segment in balance sheet terms rose by 17.1% to reach euro 57,944 million at 30 September 2008. The number of lease and financing contracts in place with dealers and retail customers rose by 17.0% to a total of 2,971,437 contracts. The proportion of new BMW Group cars financed by the Financial Services segment during the first nine months of the year amounted to 48.0%, 3.3 percentage points higher than the proportion recorded one year earlier.

Workforce reduced

The number of employees was decreased in line with previously announced plans. The BMW Group workforce comprised 103,625 employees worldwide (September 30, 2007: 107,731 employees). This corresponds to a reduction of 3.8%, including the 1,778 employees of the Cirquent Group. With effect from 30 September, the BMW Group sold 72.9% of its shares in the IT consultancy firm to the Japanese company, NTT Data. By the end of the year, the BMW Group will have achieved its target of cutting out 8,100 positions worldwide, including 3,100 from the core workforce. These figures do not include Cirquent employees.

The BMW Group remains committed to fulfilling its social responsibilities. More than 1,100 apprentices will be taken on in the coming year, 1,080 of them in Germany.

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The full Quarterly Report to 30 September 2008 is available for download at www.bmwgroup.com/ir.

The BMW Group – an Overview

		3rd quarter 2008	3rd quarter 2007	Change in %
Vehicle production				
Automobiles	units	334,976	371,569	-9.8
Motorcycles[1]	units	23,284	20,299	14.7
Deliveries to customers				
Automobiles	units	349,098	364,564	-4.2
Thereof: BMW	units	290,661	306,964	-5.3
MINI	units	58,105	57,315	1.4
Rolls-Royce	units	332	285	16.5
Motorcycles[2]	units	24,818	23,549	5.4
Workforce at end of quarter[3]		103,625	107,731	-3.8
Operating cash flow	euro million	1,070	1,678	-36.2
Revenues	euro million	12,588	13,778	- 8.6
Profit before financial result (EBIT) euro million		387	973	-60.2
Thereof: Automobiles	euro million	141	788	-82.1
Motorcycles	euro million	-5	7	-
Financial Services	euro million	-26	176	-
Reconciliations	euro million	277	2	-
Profit before tax[4]	euro million	279	765	-63.5
Thereof: Automobiles	euro million	18	704	-97.4
Motorcycles	euro million	-7	5	-
Financial Services	euro million	-17	191	-
Reconciliations	euro million	285	-135	-
Income taxes	euro million	19	38	-50.0
Net profit	euro million	298	803	-62.9
Earnings per share[5]	euro	0.45/0.45	1.22/1.22	-63.1/-63.1

1 excluding Husqvarna motorcycles (1,238 units)
2 excluding Husqvarna motorcycles (4,429 units)
3 excluding Husqvarna Motorcycles (225 employees)
4 Profit before tax for the third quarter 2007 includes a one-time gain of euro 5 million arising from an exchangeable bond on Rolls-Royce plc shares.
5 For common/preferred stock in accordance with IAS 33.

		January - September 2008	January - September 2007	Change in %
Vehicle production				
Automobiles	units	1,154,282	1,160,247	-0.5
Motorcycles[1]	units	83,845	88,866	-5.7
Deliveries to customers				
Automobiles	units	1,113,972	1,094,849	1.7
Thereof: BMW	units	928,230	929,379	-0.1
MINI	units	184,915	164,891	12.1
Rolls-Royce	units	827	579	42.8
Motorcycles[2]	unit	80,750	82,779	-2.5
Workforce at the end of quarter[3]		103,625	107,731	-3.8
Operating cash flow	euro million	3,392	4,476	-24.2
Revenues	euro million	40,425	40,412	-
Profit before financial result (EBIT) euro million		1,639	2,904	-43.6
Thereof: Automobiles	euro million	1,155	2,273	-49.2
Motorcycles	euro million	87	102	-14.7
Financial Services	euro million	92	545	-83.1
Reconciliations	euro million	305	-16	-
Profit before tax[4]	euro million	1,522	2,682	-43.3
Thereof: Automobiles	euro million	882	2,114	-58.3
Motorcycles	euro million	80	95	-15.8
Financial Services	euro million	131	563	-76.7
Reconciliations	euro million	429	-90	-
Income taxes	euro million	-230	-539	57.3
Net profit	euro million	1,292	2,143	-39.7
Earnings per share[5]	euro	1.97/1.98	3.27/3.28	-39.8/-39.6

1 excluding Husqvarna motorcycles (9,162 units)
2 excluding Husqvarna motorcycles (10,601 units)
3 excluding Husqvarna Motorcycles (225 employees)
3 Profit before tax for the third quarter 2007 includes a one-time gain of euro 66 million arising from an exchangeable bond on Rolls-Royce plc shares.
5 For common/preferred stock in accordance with IAS 33.

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