Media Information
4 November 2008

- Please check against delivery -

Statement by
Dr. Friedrich Eichiner
Member of the Board of Management of BMW AG, Corporate and Brand Development, Conference Call Interim Report to 30 September 2008
4 November 2008

Good Morning Ladies and Gentlemen,

As Norbert Reithofer already explained, our Strategy Number ONE is clearly paying off.

In the course of the business year 2008, we improved our operating performance and increased our efficiency – this can be clearly seen in the reduction of our R&D-ratio.

However, this positive business trend is being overshadowed by negative external factors.

- The financial crisis is increasingly affecting the real economy and the automotive sector in particular.
- We are feeling the effects of this in the new car business as customers are holding back. This applies especially to our major high-volume markets, namely the USA and Europe.
- And it is making itself felt in the pre-owned car business. Residual values are coming under mounting pressure above all in Europe. In consequence, we had to increase the risk provision once again. It now amounts to over a billion euros.

Naturally, these developments are reflected in our current performance figures:

- Group profit before tax after the first nine months was 43.3 per cent lower year on year.
- The return on sales was 3.8 per cent.

However, I believe the following describes a more realistic picture of what we are actually capable of:

- This year, we have increased our risk provision by a total of 1.037 billion euros so far.
- Moreover, we shouldered a one-off expense for personnel-related measures of 258 million euros in the first three quarters.
- In addition, the profit earned in the same period last year included a positive, one-off Rolls-Royce effect of 66 million euros.
- Net of these three factors, Group profit before tax was not down 43 per cent. Instead, it was up nearly eight per cent, or 201 million euros.
- This would correspond to a return on sales of 7.0 per cent on Group level.

So we continue to be a strong performing company.

Nevertheless, we are calmly taking a number of actions in order to react sensibly to the current situation and emerge from this crisis even stronger. Norbert Reithofer has already given you an overview of our activities.

I will revisit this issue later. Now let me give you some details concerning the latest interim financial statements and our outlook.

As in the first six months, the increase in the risk provision for residual values and credit defaults was the single-largest negative factor in the third quarter. We mentioned back in August that we were still watching over the situation with great care. And that we would increase the provision if necessary.

The situation in the USA hasn't improved significantly since then. And it has actually become even worse in Europe – above all in Germany and the UK.

This is why we increased our risk provisions by another 342 million euros in the third quarter.

- 232 million euros are attributable to residual value losses
- and 110 million euros are allocable to credit risks.

This brings the total provisions accrued in the first nine months of this financial year to the 1.037 billion euros I mentioned earlier.

We may have to raise provisions by a mid-range triple-digit million euro figure in the fourth quarter. This will depend on how the residual values continue to develop. We will thus continue to monitor the situation very closely.

That was the current state of our risk provisions.

As I said earlier, currency effects, raw material prices and staff cuts are additional negative factors. Although they have not deteriorated more than expected since the first two quarters of 2008, they have become worse compared with last year:

- In the third quarter, expenses incurred to reduce the workforce amounted to 151 million euros. This brings us to the 258 million euros as of September I mentioned in opening.
- As often stated in the past, we estimate that foreign exchange rates will have an adverse effect of 400 million euros for the full year.
- The negative impact of increases in raw material prices will rise to a triple-digit million-euro figure by the end of the year as well. But I would also like to mention that we see some relief due to the latest developments on the commodity markets. Therefore, the additional burden will most probably be less than the 400 million euros we originally expected.

Next on my agenda are the developments of the individual lines of business, starting with the Automobile segment. This is where the lion's share of the negative effects I just mentioned was felt.

110 million euros of the increased risk provision were allocable to this segment in the third quarter. This is based on the loss-sharing agreement with the financial services business. This brings the total additional residual value expenses in the Automobile segment to 560 million euros as of September.

Accordingly, the profit before the financial result recorded by the Automobile segment in the third quarter declined to 141 million euros, compared with 788 million euros in the same period last year. The EBIT margin for the quarter was thus 1.3 per cent.

Segment EBIT after the first nine months totaled 1.16 billion euros, compared to 2.27 billion euros in the same period last year. This corresponds to an EBIT margin of 3.1 per cent.

Next up is the Financial Services segment.

It was marked by risk-provision measures as well. This is because this segment accounts for the remaining share of residual value provisions as well as for the credit default provisions. Negative effects totaled 232 million euros in the third quarter and 477 million euros as of September 2008.

In addition, refinancing costs were higher due to the rise in credit premiums on the capital market.

Accordingly, earnings posted by Financial Services dropped from 191 million euros in the third quarter of 2007 to a loss of 17 million euros in the quarter being reviewed.

At 131 million euros, earnings in the first nine months of this year were significantly down on the 563 million euros reported in the same period last year.

As a rule,

- financial services is and will remain an integral part of our business policy.
- In view of the financial crisis, we will bring the management of our new business in stronger alignment with market risks and opportunities.

In this context, I would like to make some more remarks on refinancing.

I already touched on the rise in credit premiums.

The money and the credit markets are not working as they usually do. We therefore welcome the current measures implemented by the governments and central banks in order to restore the normal functioning of the capital markets.

Let me explain some facts regarding our refinancing:

- We have 4.9 billion euros in cash and cash equivalents and marketable securities. This gives us a good liquidity position.
- And we were able to implement a number of transactions at the capital markets successfully, even when times are difficult:
    - For example, we issued a 1.35 billion euro Schuldschein in April. It has a term of five years and very attractive conditions. This is the largest transaction of this kind that we have ever concluded.
    - In May, we successfully placed a 1.75 billion euro benchmark bond with a term of seven years.
    - We were flexible enough to offset the increasingly unfavorable conditions on the bond market in recent months by expanding our private placement program.

  - Moreover, at the end of September we placed a 2.5 billion euro ABS transaction in September. This is the single-largest transaction of its kind in the BMW Group's history.
- Another source of financing is the BMW Bank's deposit business.

This brings me to the Reconciliations segment.

In the third quarter, this segment's profit before tax was 285 million euros, compared with a 135 million euro loss in the same quarter last year. The strong rise was driven by

- the fair valuation of stand-alone interest-rate derivatives
- and the sale of just under 73 per cent of our stake in the Cirquent Group, which we made as we realigned our core in-house funding.
- Consolidation effects also had a positive impact.

This concludes my remarks on the individual segments. Let us move on to the key financials at the Group level.

In light of the decline in retail, Group revenue was down in the third quarter as well. It dropped by 8.6 per cent, from 13.8 billion euros to 12.6 billion euros. After nine months, Group revenue thus totaled 40.4 billion euros. This is roughly on par year on year. Net of currency effects, however, as of September, revenue was up 5.1 per cent.

In the third quarter, the cost of sales was down 5.5 per cent to 10.3 billion euros – despite the adverse effects of currencies, raw materials and higher risk provisions I mentioned earlier. Through September, the cost of sales had risen by 4.0 per cent to 32.72 billion euros. The same effects as in the third quarter were felt here.

Research and development expenses for June to September dropped by 5.1 per cent year on year. This results in an R&D ratio of 5.6 per cent according to German HGB in the third quarter. R&D expenditure after the first three quarters was 1.5 per cent lower than in the same period last year. The R&D ratio was 5.1 per cent, compared with 5.7 per cent a year earlier. These figures prove that we have become much more efficient in the field of research and development as well. As far as the German HGB R&D ratio is concerned, we're already within the range of 5 to 5.5 per cent, which we were aiming for in line with our strategy Number ONE.

Here, we also benefit from the fact that we have done a lot of groundwork in the field of environmentally friendly drive systems in recent years. Now, this translates into a big competitive advantage. But we will continue to adhere to our maxim: Continue investing in our brands, in technologies and in products – and thus in our future.

Moving right on to the profit before the financial result: In the third quarter, it declined by 60.2 per cent to 387 million euros. This corresponds to a Group EBIT margin of 3.1 per cent. After the first nine months, Group EBIT amounted to 1.64 billion euros. This was 43.6 per cent down year on year. The EBIT margin for this period was 4.1 per cent.

Compared to the third quarter of 2007, the financial result improved by 100 million euros to minus 108 million euros. As of September 2008, the financial result was a negative 117 million euros, following a negative 222 million euros in the same period last year. This was mainly due to fair valuations and the decline in the net interest expense.

The BMW Group thus earned a profit before tax of 279 million euros in the third quarter.

This represents a decline of 63.5 per cent and a return on sales of 2.2 per cent. The profit before tax after the first three quarters totaled 1.52 billion euros. This was 43.3 per cent less than a year earlier.

The corresponding return on sales was thus 3.8 per cent. As I mentioned earlier, we will not be able to increase this figure to the forecast's four per cent. This is because we still expect underlying conditions to be difficult.

The tax expense amounted to 230 million euros after the first nine months. This translates into an effective tax rate of 15.1 per cent.

The bottom line is that the BMW Group's net profit for the quarter dropped by 62.9 per cent to 298 million euros. Year to date, this results in a decline of 39.7 per cent to 1.29 billion euros.

This concludes my presentation of the key financials of our income statement.

I would now like to comment on a few select items from the balance sheet and cash flow statement.

As of September 30, inventories totaled 8.88 billion euros, compared with 8.53 billion euros at the end of the second quarter. As you can see, we have not raised our inventory level significantly in the last few months – mainly thanks to our adjustments to production volumes.

As of September 30, 2008, cash flows from industrial operations totaled 3.39 billion euros and were 24.2 per cent down year on year. This was caused by the decline in earnings.

In consequence, free cash flow for the first nine months was a negative 64 million euros for the time being.

However, one must take into account the fact that this figure includes the one-off expenses related to the workforce reduction and the increased risk provision, among other things. In view of the current rifts on the financial markets, for safety reasons, we converted triple-digit million-euro demand deposits into money market paper in the third quarter. Without these effects, free cash flow would have been positive.

The developments of individual cash flows caused cash and cash equivalents to rise by nearly 1.3 billion euros to 3.65 billion euros, net of the impact of foreign exchange rates and the scope of consolidation.

The Group's liquidity position thus remains robust. Net financial assets in the industrial business amounted to more than 5.4 billion euros as of September 30, 2008. This figure already includes the first tranche of the externalization of our pension obligations. For this purpose, we transferred more than a billion euros in securities to the newly established BMW Trust in July.

This rounds off my commentary of the last interim financial statements.

Ladies and Gentlemen,

Taking stock, given the development of our earnings so far and the global economy's uncertain situation, it is impossible to reliably forecast the company's profit for the year.

The same applies to fiscal 2009. It is impossible to make any stable predictions regarding retail or earnings. I am certain you would agree with me here that there is simply too much uncertainty in the markets at this time.

But one thing is for sure:

We are putting our pedal to the metal in numerous areas in order to rise to our current challenges:

- We are leveraging our flexible structures in order to adapt production to demand.
- This and other measures will help us optimize our working capital, as evidenced by the inventory trend, among other things.
- We are reducing our material and fixed costs, as can be seen from the decline in the cost of sales and selling costs.
- We are rolling up our sleeves to lower the personnel expense by reducing the workforce and negotiating voluntary fringe benefits that go above and beyond what has been collectively agreed.
- We are making our research and development work more efficient, as documented by the current R&D ratio.
- Furthermore, we are acting with foresight by increasing provisions for residual value risks and credit defaults.

But another thing is for certain as well:

Taking action to improve efficiency alone will not be enough over the long term. This is why we are resolutely implementing performance measures resulting from our strategy Number ONE at the same time. The key words here are EfficientDynamics, Project i and tapping new fields of business – for example in After Sales

Therefore, we are still aiming for a return on sales of at least 6 per cent for fiscal 2010. Of course, whether we achieve this goal will depend to a great degree on how quickly and how well the economy and the sales markets recover.

However, we are optimistic, because by introducing new generations of major, high-volume models, we will have a decisive lever for reducing material costs starting in 2010.

As regards our targets until 2012, we still believe the following:

Based on

- the flexibility we have in our production network,
- our competitive edge above all in the field of environmentally friendly drive systems,
- and the countermeasures I mentioned earlier,

we still expect that we will achieve an EBIT margin in the automobile business of 8 to 10 per cent in 2012.

The task at hand now is to do a good job of weathering the current economic and financial crises – and to prepare the company for the next upturn.

We are convinced that we are very well equipped to do so, thanks to our strategy Number ONE.

Thank you for your attention!

Company
Bayerische
Motoren Werke
Aktiengesellschaft

Postal Address
BMW AG
80788 Munich
Germany

Phone
+49-89-382-28042

Internet
www.bmwgroup.com