Statement by
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Chairman of the Board of Management of BMW AG
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Ladies and Gentlemen—

Today, I would like to concentrate on three main points:

1.) What is important to consider in the current situation?
2.) How does Strategy Number ONE secure our future success?
3.) How do we view the business development for the rest of the year?

Let's get straight to the first point:

Without a doubt, the global economic crisis poses exceptional challenges. How has the BMW Group stayed the course?

- **First**: In 2008, the BMW Group achieved an EBIT of 921 million euros. Without the additional provisions, our 2008 result would have been significantly higher. But fact is that we are in a strong operating position.
- **Second**: The Group’s financial footing is absolutely sound. At the end of 2008, our liquidity was about 8.1 billion euros. Obviously, liquidity and free cash-flow are top priorities in such economic times as these.
- **Third**: We were able to reduce costs and investments as well as capital expenditure per car. Our fixed and material costs declined significantly. It is already clear that we will considerably exceed our goal for 2012 to reduce material costs by 4 billion euros.
- **Fourth**: We were able to reduce our fourth-quarter inventory below the third-quarter level. Compared to 2007, our inventories remained stable while competitors’ stocks increased noticeably.
- **Fifth**: In 2008, we sold more than 1.43 million cars. This is the second-best result in our company’s history. We still remain the number one in
the premium segment. Our goal is to strengthen and expand our market share in the individual markets.

- **Sixth**: We are the industry leader in terms of CO₂ emission reductions. In 2008, we invested less than the year before. However, we are now harvesting the fruits of our previous 1.2 billion euros investment in environmentally friendly technologies. Efficient Dynamics is now working for us.

- **Seventh**: Regarding job reductions, we exceeded our target. Between the end of 2007 and the end of 2008, our headcount decreased by 7,498 to 100,041. By December 31, 2008, approximately 4,000 employees had signed mutual termination agreements. In other words: We succeeded in streamlining all areas of the company. In the headquarters alone, we were able to eliminate 500 positions. We also made best use of the flexibility temporary work offers and reduced a total of 6,000 jobs in this area. On the other hand, we will continue to hire new staff, primarily engineers, in 2009.

- **Eighth**: Our compensation system applies in good times as well as in bad times. The members of our Works Council agree with this approach. So the significant decrease in the 2008 result will have the following effect in salary:
  - a Board Member’s compensation will decrease by 40 percent,
  - an executive’s by about 30 percent,
  - and non-management employees will earn about 10 percent less.

Our business activities are and will remain focused on the long term.

This brings me to my second point:
How can we guarantee our future success in light of the changes and new challenges in this current business environment?

Our strategy Number ONE gives us a clear vision for the year 2020.

We have implemented specific projects supporting all four pillars.
1. Growth

The global car market will continue to grow, and along with it the demand for premium products and services. The real question is: How will premium be defined in the future?

Sustainability will definitely play a key role in defining premium. This applies to both environmentally friendly drive systems and production processes.

The BMW Group is already the world’s most sustainable car manufacturer. 2008 marked the fourth consecutive year the Dow Jones Sustainability Indexes ranked us as the global industry leader and we have been in this index since its birth in 1999.

In the automotive markets, there seems to be an interest in smaller and highly efficient cars. This is only part of the full picture.

- Our premium brand MINI is highly successful in the small-car segment.
- The BMW 1 Series has been our premium offering in the compact class for a few years now. In 2008, sales of the BMW 1 Series increased by about 36 percent. Today the BMW 1 Series makes up almost 19 percent of our portfolio. And 2009 will see the launch of a new model in the compact class—the BMW X1.

Another trend is innovation.

- Our new BMW 7 Series is a clear statement for the further innovation development of automobiles in general. The new BMW 7 Series is already the segment leader in Europe.
- In 2009, we are launching a versatile and highly variable car: the BMW 5 Series Gran Turismo. Once again, we are defining an entirely new segment.

Premium is also a matter of design.
Design is and will remain a key factor in people’s buying decision. We plan to focus strongly on design in the years to come, and continue to be a trendsetter in the area of design. The new BMW Z4 is a perfect example for the direction we want to take.

2. Our strategy’s second pillar: Shaping the Future

Shaping the future of the individual mobility—this can only be achieved by reducing fuel consumption and emissions.

We even exceeded the ACEA voluntary commitment.

And we will be able to meet the new EU emission performance requirements for 2012 and 2015. Excess penalties are not and will not be an issue for the BMW Group!

The Federal Motor Transport Authority in Germany has confirmed our lead in the field of emission reduction:

In Germany, our cars’ average fuel consumption is 5.9 liters per 100 kilometers, with CO₂ emissions of 158 g/km. The average of all new cars registered in 2008 was 165 g/km.

If we begin to compare horse power to horse power, along with CO₂ emission levels, there is not a single engine from our competitors that can beat our engines when it comes to performance and fuel economy.

This is Efficient Dynamics at work.

49 models comply with the EU5 emission requirements. The BMW 330d with the optional BMW BluePerformance technology even meets the EU6 standard taking effect in 2014.

Hybrid technology allows us to tap further efficiency potentials of up to 20 percent. This is another step in our EfficientDynamics program. BMW’s first
two hybrid cars will go into series production this year—the new BMW 7 Series and the X6.

Our long-term goal is sustainable mobility. And project i is our tool to reach this goal. The MINI E is the first result of project i.

500 customers are currently testing the MINI E. This makes us the car manufacturer with the largest fleet of electric cars.

The second specific result of project i will be our Megacity Vehicle.

This car will be the first of an entire range of near-zero emission cars—available with a fully electric drive or a high-efficiency combustion engine. Large-scale production could start in the first half of the next decade.

With the Megacity Vehicle, we are also pursuing a radical approach toward establishing a truly sustainable value chain—from development to production and sales.

3. Profitability

Once again, we will focus strongly on improving our profitability this year.

Our long-term profitability targets for 2012 remain unchanged despite the current weakness of the market.

In 2012, we want to post:

- a return on capital employed of 26 percent in the automobile segment, and
- an EBIT-based return on sales of 8 to 10 percent in the automobile segment.
4. Access to Technologies and Customers

The fourth pillar of our strategy is about guaranteeing access to technologies and customers.

The customer will continue to be an integral part of our Strategy Number ONE.

We want to offer our customers a wider range of mobility services and generate new business.

Let me give you an example: our after-sales business. Services and spare parts accounted for a contribution to operating income of 90 million euros in 2008. Our goal is to increase after-sales revenues by 20 percent by 2014.

We will continue to cooperate with other car manufacturers in the future—whenever necessary and reasonable. The objective is to achieve a win-win situation.

At present, we are developing our MINI engines together with PSA.

And we entered into a purchasing cooperation with Daimler a while ago. This cooperation will be expanded as we will gradually increase the share of parts and components we purchase together.

Ladies and Gentlemen—

The successful implementation of our strategy shows that in these difficult times, the BMW Group is setting the course for long-term growth and maintaining its independence.

The activities launched in the course of the past weeks and months will have a positive effect on our business development in the medium term.

Last but not least, my third point for the day:
What is our forecast for the business year 2009?

2009 will be a transition year.

This is why we have clear priorities: liquidity, free cash-flow and working capital, fixed costs and investments.

We expect the recovery period to start in 2010.

Unfortunately, the current downturn in business still continues. And as a result there still exist uncertainty in the overall market. Therefore it makes no sense to offer a reliable forecast for 2009 right now.

For this reason, we have developed several action scenarios depending on market development. At present, we expect automotive sales to decline by 10 to 20 percent in 2009. We do not expect to match our 2008 sales volume this year.

However, from 2010 on, our sales will pick up pace thanks to our new products. This momentum will increase with the high-profit contribution models to be launched between 2010 and 2012.

So we remain confident. And our profitability targets for 2012 remain unchanged.

Our strategy Number ONE is a clear roadmap to the future and because of this the BMW Group is well positioned to stay the course and meet successfully the challenges ahead.

And this is why we will continue to be a strong and sustainable company with three outstanding brands: BMW, MINI and Rolls-Royce.

Thank you for your attention!