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Statement by
Dr. Friedrich Eichiner
Member of the Board of Management of BMW AG,
Finance
International launch event of the BMW 5 Series Sedan
Portugal, Cascais

Ladies and Gentlemen,

I would like to welcome you on behalf of the BMW Group. By now you should all have gained a first impression of the new BMW 5 Series Sedan.

Our developers and designers have certainly gone the extra mile for our customers. In fact, every aspect of this new business sedan has been designed for success. As such, it is completely in line with our strategy for the current financial year.

I would like to start by

- giving you a brief update on our current situation.
- Then I would like to talk about the significance of the BMW 5 Series Sedan for the BMW Group.

The BMW Group survived a difficult year in good shape. In fact, we managed the global recession much better than some competitors.
We aligned our production and sales targets with the market situation early on. We have benefitted from focusing on crisis and liquidity management. We made substantial cost improvements. We ended the 2009 financial year as planned. Sales decreased by 10.4% across the Group.

Sales volumes are therefore at the lower end of our 10-15% range. We are confident that the BMW Group will, as planned, be able to post a profit before tax for 2009.

In the fourth quarter of 2009, we turned the corner: We managed to be in the black – for the Group as well as in the Automobiles segment.

Ending the financial year on target has boosted our confidence for 2010. We are a bit more optimistic moving forward. For the first two months, our forecasts anticipate double-digit growth in unit sales. This is mainly due to base effects. Compared to the fourth quarter of 2009, our sales volume will decrease in this quarter: Sales of the new 5 Series Sedan will primarily start in the second quarter. Concerning our results, the first quarter will not benefit from the new 5 Series sedan.

For the overall year, our goal is to achieve solid growth in the single-digit percentage range. This will come partly from our many new BMW, MINI and Rolls-Royce models. We also expect the overall market recovery to provide us with further momentum.

We are in a good position today thanks to the efficiency measures we have already implemented. Across the company we are reaping the benefits of having successfully executed the measures laid out in our Strategy Number ONE.

In the course of 2009 we once again turned our focus on profitability. This is the right step to ensure that we meet our strategic objectives for 2012.
An EBIT margin of 8 to 10% in the Automobile Segment and a RoCE of at least 26% remain our targets.

The new BMW 5 Series will be a major contributor towards this goal.

The 5 Series Sedan, is one of the high-volume models that will launch in 2010. A second one will be the 5 Series Touring, to be released later this year. Both vehicles will make our portfolio more competitive. They will also lower the average age of the vehicles in our product range.

The new launches will also help us reduce the substantial discounts we were obliged to offer during the crisis.

Since it was first launched in 1972, more than 5.5 million 5 Series models have rolled off the assembly line. In fact, the previous BMW 5 Series was the best-selling model in its segment for four years of in a row.

We expect the new BMW 5 Series Sedan to be even more attractive than the previous model. The vehicle’s visual appeal lies in its supreme aesthetics and elegant design. It also raises the bar when it comes to mobility today: No other business sedan is as dynamic and efficient.

The new BMW 5 Series offers even lower fuel consumption and emissions than its already efficient predecessor. At the same time we were also able to boost its performance – which is what BMW EfficientDynamics is all about.

There is a great deal of interest in the new business sedan – which has been also very well received by the automotive press. As in the past, customers for the BMW 5 Series Sedan will primarily be from the US, Germany and the UK.
We are sure to face high demand from China. The production of the new 5 Series Sedan with long-wheel base will start this year. This vehicle is an ideal chauffeur-driven-car.

The BMW 5 Series is also an important contributor to our profitability. It accounts for a significant share of our portfolio’s contribution margin. The benefits of this model will be felt in the second half of the year in particular, once the BMW 5 Series Sedan has been introduced worldwide.

The BMW 5 Series Sedan also embodies the goals of our Strategy Number ONE. This model is the first major-series model to be developed strictly on the basis of our modular strategy.

It will play a significant part in reducing our manufacturing costs.

However, we will only use modular solutions for parts which are not brand or model differentiating. We continue to place a very high value on the individualization of our vehicles. This is also demanded by our customers. We are convinced that this underscores the premium character of our cars.

Excluding new technical requirements and additional features, costs are much lower than for the previous model. Across the entire lifecycle, manufacturing costs will be up to 15% lower.

We use structurally identical parts in our 5 Series, 6 Series and 7 Series models. Depending on the options installed, shared components already account for up to 70% of the parts we use. All of these vehicles are built on the same assembly lines in Dingolfing.

Considerably higher volumes will result in economies of scale for us. The new 5 Series GT will also play a part in this.
We have also implemented measures to make our Dingolfing production site more efficient and to reduce manufacturing costs at the plant.

One major factor is the much shorter processing time and the smaller parts inventory: We have reduced the amount of materials stored between body shop, paint shop and assembly by 20%, for instance. Also, the side frame of the new 5 Series Sedan is delivered directly from the press shop to the body shop – eliminating storage and other time-consuming steps in between.

By using robots, we have automated a significant portion of the supply of parts. This has advanced productivity considerably and led to a reduced use of personnel. For instance in the body shop: In the area where the undercarriage is welded, we now only have one employee where there used to be five.

Because we are continuing to use existing equipment in the body shop, in the paint shop and in assembly, only limited capital investment was required. Overall we were able to reduce capital expenditure at the plant by 30% compared to the previous model.

The BMW 5 Series Sedan provides the best example of how this will also benefit customers. They will be able to enjoy all the high-end features available in the BMW 7 Series or the BMW 5 Series Gran Turismo and choose from the optional extras of these sophisticated models.

This business sedan embodies "premium" in all its various facets:

- In the convincing product substance
- in the high level of quality and options,
- as well as in the exclusive feel and
- dynamic performance combined with high efficiency.
Thus, it sets the benchmark in its segment. As you can see: The new BMW 5 Series Sedan is of considerable strategic and economic importance to us.

This year will see plenty of new vehicle launches. We are just now completing the global introduction of the BMW X1 and the BMW 5 Series Gran Turismo.

Each of these one-of-a-kind vehicles is opening up new segments and, to a certain degree, faces little competition. The initial market response to both models has been extremely positive. We are adding extra shifts to handle the unexpected high volume of orders for the BMW X1.

Over the course of the year new and revised models will further rejuvenate our portfolio: This includes the new Rolls-Royce Ghost, which has not been launched in all markets. There will be launched the BMW ActiveHybrid7 and the new X3 as well as the facelifts for the X5 and both the 3 Series Convertible and Coupé. We have also announced the new MINI Countryman for autumn 2010.

Let’s get back to the star of the evening: the new BMW 5 Series Sedan!

In just a few moments the designer responsible for the interior of the new BMW 5 Series, Oliver Heilmer, will talk to you about the car’s design highlights. After that you will have the opportunity to learn more about the technology inside the vehicle from our project leader, Josef Wüst.

Tomorrow you will be back behind the wheel: I think you will really get to know the BMW 5 Series Sedan as you drive through the country and on the race track in Estoril. So, enjoy your drive tomorrow!

I am looking forward to sharing some interesting discussions with you. Thank you for joining us today. Now it is time to make way for the new BMW 5 Series Sedan!