



Information
16 March 2011

- Check against delivery -

Dr. Friedrich Eichiner
Member of the Board of Management of BMW AG
Financial Analysts' Meeting
16 March 2011

Ladies and Gentlemen,

I would also like to welcome you all.

Our 2010 results clearly demonstrate the earning power and financial strength of the BMW Group. This performance underscores the effectiveness of our strategy. And it shows that our focus on premium is the right approach.

These two success factors – a clear strategy and our premium business model – have given the BMW Group the necessary tools for achieving outstanding results. At the same time, we were able to strengthen our competitive position. We achieved structural cost and process improvements and boosted our long-term efficiency. As a result, we are closer to the targets we set for 2012.

Our strategy and proven business model provide the foundation for future success: The steps we have taken will open up attractive prospects for our business over the coming years.

Now, let's turn to our business figures. I will just focus on select key figures – you will find all the details in the annual report.

With record revenues of 60.5 billion euros, the BMW Group was able to achieve unprecedented pre-tax earnings of 4.8 billion euros.

Our return on sales, based on pre-tax profit, amounted to 8%.

Company
Bayerische
Motoren Werke
Aktiengesellschaft

Postal Address
BMW AG
80788 München

Telephone

Internet
www.bmwgroup.com



Information

16 March 2011

Date

Subject

Speech Dr. Friedrich Eichiner, Financial Analysts' Meeting 2011

Page

2

A good fourth quarter played a big part in this. We generated strong quarterly revenues of 16.75 billion euros and pre-tax Group earnings of just under 1.7 billion euros.

The Automotive segment achieved revenues of 54 billion euros in 2010. The operating result for the Automotive segment totalled 4.36 billion euros for the full year.

Our EBIT margin was exactly 8% – which shows that our 8-10% target range is within reach. Our RoCE of 40.2% was considerably higher than our target of at least 26%.

The Automotive segment ended the fourth quarter very strongly: Revenues totalled 15.6 billion euros, with a profit before financial result of almost 1.6 billion euros and an EBIT margin of 10%.

The improvement in earnings was also bolstered by economic conditions and dynamic growth in many car markets.

Our new models generated strong demand in 2010. Our high-value model mix and good price positioning had a positive impact on revenues and earnings. We were able to increase our average revenue per vehicle quite substantially.

Thanks to our new models, it was possible to scale back the sales discounts we had used during the financial crisis: We were able to regain about two percentage points of the price potential we had lost the year before.

That is equivalent to an EBIT of about 1.1 billion euros on automotive revenues of more than 54 billion euros. We continue to work on improving our transaction prices.



Information

Date 16 March 2011

Subject Speech Dr. Friedrich Eichiner, Financial Analysts' Meeting 2011

Page 3

The progress we made reducing costs also strengthened earnings: On the variable cost side, we were able to lower the cost of materials. Our purchasing benefited from synergies from the use of modular components.

However, these measures did not affect the quality of our vehicles, which is crucially important for a premium car company. We implemented major cost reductions and efficiency improvements in development and our purchasing processes, as called for in our Strategy Number ONE.

We also expect lower manufacturing costs for our new models in the future as well.

We are emerging from a phase of high volatility and significant risks. For this reason, we once again implemented a comprehensive approach to risk management in 2010.

We were properly hedged against raw material prices and currency fluctuations to limit a future negative impact on earnings.

We were well positioned in our foreign currencies overall in 2010. This resulted in a gain of 334 million euros versus the previous year. For the most part, this reflected better transaction rates for our main currencies: the U.S. dollar, Japanese yen and the Chinese renminbi.

For 2011, our planned foreign currency exposure has largely been hedged at favourable conditions.

We expect our earnings to benefit from a currency tailwind again this year. This is predicted to create a positive impact in the low three-digit million euro range.



Information

Date 16 March 2011

Subject Speech Dr. Friedrich Eichiner, Financial Analysts' Meeting 2011

Page 4

Regarding raw materials, we were able to limit the adverse impact on earnings in 2010 to negative 97 million euros. This was thanks to fixed price contracts for steel and derivative hedging for base and precious metals.

As the worldwide economy recovers, prices for raw materials and precious metals are increasing. We have implemented various measures to mitigate the effects of this trend. As a result we aim to limit negative effects on our results.

Nevertheless, we expect a negative impact on earnings in the low triple-digit million euro range this year.

The positive trend in earnings gave our free cash flow in the Automotive segment a major boost. We stated our free cash flow in line with the industry standard.

You can easily see the details of our free cash flow in the annual report and on this chart: Free cash flow in the Auto segment amounted to 4.47 billion euros at the end of the year. From now on, this figure will include the net investments in marketable securities. In 2010, we purchased more than 1.8 billion euros in securities.

We acquired 1.74 billion euros in securities solely for the purpose of funding our German pension obligations. This brings to an end the outsourcing strategy in Germany.

Since 2007, assets amounting to 4.7 billion euros were transferred in the BMW Trust. As of the end of 2010, a total of 5.2 billion euros in fund assets has been reserved for future pension payments. The pensions of our associates in Germany have been completely secured now.



Information

16 March 2011

Date

Subject

Speech Dr. Friedrich Eichiner, Financial Analysts' Meeting 2011

Page

5

The positive trend in free cash flow strengthened the company's liquidity position. Group liquidity totalled roughly 9 billion euros at the end of the year.

In the Automotive segment, we also profited from the positive trend in free cash flow. Net financial assets increased to 11.3 billion euros in 2010. The items cash and cash equivalents as well as marketable securities increased to 6.7 billion euros. Net financial receivables and net financial liabilities declined compared to prior year.

In light of our record earnings, we will also be returning more of our profit to shareholders than ever before. This year's proposed dividend payment totals 852 million euros – just over 26% of our net profit for the year.

As previously announced, we are aiming for a higher payout ratio of between 30-40% over the medium term, so our shareholders will receive a larger share of the company's profits than in the past. This year's planned payout is a clear step in this direction.

We consider this a sign of the company's growing earnings strength.

Last year, the BMW Group made considerable progress in optimising its capital employed. We optimised our production structures for the vehicles currently ramping up and were able to reutilise machinery used for production. We invested a total of 3.3 billion euros in capital expenditure, thus decreasing our expenses from the previous year's level. Due to the increase in revenue, the investment ratio of 5.4% was below our targeted capex ratio of less than 7%.

In 2010, we also increased process and product communality and were able to generate economies of scale by using shared components.



Information

16 March 2011

Date

Subject

Speech Dr. Friedrich Eichiner, Financial Analysts' Meeting 2011

Page

6

Our development process became even more efficient, thanks to the use of virtual simulation and safety technologies. This gave us additional financial latitude to develop more models and invest more in future technologies.

In 2010, we increased our expenses for research and development to 3.1 billion euros. Due to the substantial increase in revenue, the R&D ratio of 4.6% was lower than last year.

This puts us just below our target ratio of 5 to 5.5% for research and development.

Our BMW Peugeot Citroën Electrification joint venture will enable us to share the cost of developing and manufacturing all of the components necessary for electrification. We will take advantage of economies of scale in purchasing, development and production.

The major increases in efficiency resulting from the joint venture will enable us to make pioneering investments in the future.

Our efficiency measures have proven to be the right approach.

Our company is well-prepared for higher future investment in R&D and capex. When we talk about future investment, we are talking about two main areas:

1. the further internationalization of the company and
2. alternative drive train technologies.

Over the next few years, we expect expenditure in both of these areas to rise. Investing in the field of alternative drive technologies will enable us to meet future CO₂ requirements.



Information

16 March 2011

Date

Subject

Speech Dr. Friedrich Eichiner, Financial Analysts' Meeting 2011

Page

7

We will secure the BMW Group's technological leadership – without exceeding our target ratios.

This brings me to another highlight – our Financial Services segment. This is another area where we exceeded our targets – as seen in our record earnings of 1.2 billion euros, and the Return on Equity:

On the basis of our balance sheet equity ratio of 7.1%, the RoE was 26.1%.

On the basis of an equity ratio of 8%, the RoE was 21.3% and well over our strategic target of 18%.

Financial Services profited in 2010 from very competitive refinancing conditions in the capital markets and the improved risk situation. Low interest rates worldwide, and significant improvements in credit spreads, also benefited our financial services business.

Moving on to our business activities in this segment: We concluded almost 1.1 million new contracts with retail customers in 2010. This represents a 6.6% increase over the previous year. The number of contracts in place with dealers and retail customers rose by 3.4% to just under 3.2 million contracts.

The total business volume, as disclosed in the balance sheet, increased by 8.2% to 66.2 billion euros in 2010.

The penetration rate decreased slightly to 48.2% in the financial year just ended.

Leasing and customer financing activities each accounted for 24.1%.

Overall, the risk situation in the financial services business improved in 2010.



Information

16 March 2011

Date

Subject

Speech Dr. Friedrich Eichiner, Financial Analysts' Meeting 2011

Page

8

The used car markets in North America and the U.K. have recovered. Markets have also begun to stabilise in continental Europe – and Germany in particular. An improved end-of-lease business resulted in an exceptional gain of about 122 million euros in segment earnings in 2010.

Our dealer resale programmes also actively contributed to improved pricing conditions. We also benefited from the shift from leasing to financing during the financial crisis.

Although conditions improved, we increased risk provisions again last year in order to be prepared for future market volatility. We have kept our residual values at an appropriate level. We nevertheless expect the used car markets to remain stable this year.

Our credit risk situation also improved in 2010. The credit loss ratio fell to 0.67% from the previous year – a significant decrease of 17 basis points. We expect a continued stabilization in the credit risk situation as well.

In order to optimize our comprehensive risk management for Financial Services, we are continuing with our expansion of the BMW Bank.

As part of the “EU passport” project, our previously legally-independent financial services company in Spain was converted into a BMW Bank branch in 2009. Last year we successfully completed the integration of our Italian subsidiary.

Over the next few years, we will transfer financial services activities in other European markets to the BMW Bank, which is regulated by the German Banking Act (KWG). We are examining possibilities for further integration.

In preparation for the incorporation of further subsidiaries in the BMW Bank, we have increased its equity. To meet the stricter capital adequacy requirements



Information

16 March 2011

Date

Subject

Speech Dr. Friedrich Eichiner, Financial Analysts' Meeting 2011

Page

9

prescribed by Basel III for banks in the future, we will be contributing further equity in 2011.

By expanding the BMW Bank, we are increasing the flexibility of our liquidity management. In the future, we will optimise our refinancing potential through our deposit business and increased access to central bank liquidity.

The Motorcycles segment generated an EBIT of 71 million euros in 2010. We do not expect, however, to be able to maintain the same level of earnings this year. The initial consolidation of the Husqvarna Group will entail further expenses for the strategic development of the brand.

Let's finish by taking a look at the financial year now underway. What do we expect?

We intend to expand our position as the world's leading premium car company in 2011. The BMW Group is aiming for record sales of well over 1.5 million vehicles, and new sales highs for all three brands.

In the first six months of the year, in particular, we expect to see significant sales increases on account of our new models: Keep in mind that the new 5 Series Sedan and 5 Series Touring have been segment leaders since last October. And then there is also the X1, the X3 and the MINI Countryman.

Growth rates will be overstated, however, due to basis effects. In the first two months of the year, volumes grew by 25% year-on-year.

We anticipate a slower pace of growth in the second half of the year. It will not be possible to maintain the growth rates of the first few months of 2011 – mainly because of the more challenging comparative base and lifecycle factors.



Information

16 March 2011

Date

Speech Dr. Friedrich Eichiner, Financial Analysts' Meeting 2011

Subject

10

Page

We will continue to reap the benefits of our ongoing profitability measures on the variable cost side this year. Efficiency improvements we have achieved will be embedded in our processes and structures over the long term.

We are aiming for an EBIT margin of more than 8% for our automotive business in 2011 and a RoCE of more than 26%, in line with our strategic goals – assuming that conditions remain as they are. In the Financial Services Segment, our aim is a RoE of more than 18%. We are confident that we will be able to keep our returns within our target range beyond 2012.

Starting this year, we will be launching new models that will, for the first time, take full advantage of recent efficiency increases. In these models, our modular strategy will be leveraged going forward, achieving further economies of scale.

Our performance speaks for itself: The BMW Group's strategic focus on the premium auto and motorcycle business, backed by an efficient financial services organisation, is the right approach. We will continue to refine this business model – which is based on continuity, future orientation and a clear focus.

Sustainability will continue to be part of the strategic DNA of our business approach.

We are committed to long-term, strategic management. What sets the BMW Group apart is: a strong drive to perform, an unrelenting commitment to quality, and a passion for innovation. The perfect complement to these qualities is, of course, our determined focus on prudent financial management. Together, all of these attributes drive the long-term success of the BMW Group.

As always, our aim is to continue increasing the company's value – in the interests of our associates and all other stakeholders. Thank you.