

2 December 2009

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**Statement by
Dr. Friedrich Eichiner
Member of the Board of Management of BMW AG,
Finance
Sneak Preview
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Ladies and Gentlemen,

It gives me great pleasure to welcome you to our exclusive product event this afternoon. My colleague Klaus Draeger will be presenting the models you can expect to see from the BMW Group over the coming months a little later on. But before that, I would like to give you some background on our strategic direction.

The parameters in the auto industry are changing. The weak economy has enhanced uncertainties about future consumer behaviour.

Our Strategy Number ONE already anticipated some of these changes. This afternoon I will tell you why we remain confident about our business model.

You are already familiar with our vision from Strategy Number ONE: We aim to be the world's leading provider of premium products and premium services for individual mobility. Customer focus is at the core of our strategy.

Here are some of the reasons:

1. Individual mobility will remain a fundamental human need all around the world. We still see plenty of growth opportunities for the BMW Group as a manufacturer of premium vehicles.

Date 2 December 2009

Topic Statement by Dr. Friedrich Eichiner, Member of the Board of Management of BMW AG, Finance,
Sneak Preview

Page 2

2. We adapted our premium concept to reflect what our customers wanted early on. The desire for differentiation, for attractive product quality and fascinating brands is as strong as ever.
3. We are pursuing new and sustainable mobility concepts which will allow us to reach new customer groups in the future.
4. We are prepared for the future automotive world – thanks to our drivetrain technologies and innovative strength.

Let us talk first of all about the significance of the car: There is a strong desire for personal mobility throughout the world – and it will only continue to grow.

The premium segment has been harder hit by the current recession than the base segment. This can be explained as a consequence of the housing bubble and the financial crisis. We've seen this happen before in previous crisis situations. The premium markets do tend to drop off faster – but they also tend to recover faster. However, premium is also set to grow worldwide in the future.

External forecasts predict that a total of around 49 million automobiles will be sold this year. Retail volumes will not return to their pre-crisis levels until 2011/ 2012.

But over the next ten years premium will grow somewhat faster than the volume segment. Of course, some of that will be simply a recovery from the current sharp drop in volumes. But we can still count on a healthy long-term development.

Date 2 December 2009

Topic Statement by Dr. Friedrich Eichiner, Member of the Board of Management of BMW AG, Finance, Sneak Preview

Page 3

A second important factor is the desire for differentiation. It is a global phenomenon.

But that does not mean that it is the same everywhere: In the emerging markets the premium automobile remains a powerful status symbol. It signals success, standing and integrity. It is rather like the owner's business card.

Growing prosperity increases demand for bigger and better cars. India and China are typical examples of this.

Around 4.8 million premium automobiles will be sold worldwide this year. Before the crisis this segment totalled more than 5 million units.

How will growth be distributed within the premium segment?

Both the upper segments and the new, small-class segments will expand. The highest luxury class segment and the smaller vehicle classes will see high rates of growth. The average annual growth in these segments will be between 4.4 and 6.4%.

The growth in the luxury class is caused by the increasing demand for premium cars in emerging markets. Here, I am thinking about the growth regions of Asia, in particular.

The growth in the smaller premium classes, on the other hand, will come mainly from new models. We must expand our portfolio downwards, too. The MINI family will be adding new models. Additional versions of the BMW 1 Series are also possibilities.

Growth in the smaller classes will be based on reasonable margins. We can win new customers in these segments. We also expect customer loyalty to play a part here.

Date 2 December 2009

Topic Statement by Dr. Friedrich Eichiner, Member of the Board of Management of BMW AG, Finance, Sneak Preview

Page 4

We continue to set great store by a balanced portfolio.

In westernised societies, car size and number of cylinders are no longer the only premium criteria. Customers differentiate themselves through their personal lifestyle and taste. This has been happening with MINI for years.

The important thing here is the individual perspective: Brand values and vehicle attributes must fit the customers' needs.

In other words, premium still depends on strong product quality and a rock-solid brand. That is the emotional hook – because emotional brands will always appeal to buyers.

Customers still associate both of these qualities with the “premium” label.

The changes in the premium concept are being driven by external factors, such as rising oil prices and growing environmental awareness among customers.

The goal of Efficient Dynamics – to achieve more performance with less consumption – is keeping pace with this trend.

With Efficient Dynamics and our sustainability strategy, we have prepared both our premium products and our company for the future.

Sustainable operations are in place in every area of our company and throughout entire lifecycle of our products, and it's an issue we were working on long before the current trend took hold. In fact, we've been pushing consistently to reduce the amount of resources and energy our production facilities use for almost 40 years. All of our plants practise Clean Production – right up to a zero wastewater factory.

Date 2 December 2009

Topic Statement by Dr. Friedrich Eichiner, Member of the Board of Management of BMW AG, Finance, Sneak Preview

Page 5

And we choose recyclable components and materials already in the early stages of the developing process. In fact, up to 95% of a BMW Group vehicle can be recycled and reused.

We are making faster and more consistent progress along this route than our competitors.

This is the reason for our outstanding ranking in the Dow Jones Sustainability World Index. It has rated the BMW Group the auto industry's number one most sustainable car company for the last five years.

In Europe, sustainable thinking is already quite widespread. Fuel consumption has become a more significant factor in the decision to buy a car.

This development is here to stay. But a customer's desire for sustainability may take many different forms.

Studies have found three clearly-defined types of customer behaviour – which in reality often overlap:

- The first group of customers associates sustainability with economic factors.
- For the second group of customers, sustainability is part of their lifestyle – which may also include a sustainable vehicle that fits their personality.
- A third group consistently behaves in an environmentally-responsible manner and is prepared to make sacrifices to do so.

Date 2 December 2009

Topic Statement by Dr. Friedrich Eichiner, Member of the Board of Management of BMW AG, Finance, Sneak Preview

Page 6

The majority of our customers fall into the first category. This group wants to preserve the driving pleasure it is accustomed to. But in a way that feels right for the times – efficient and socially acceptable.

These customers delegate environmental responsibility to the car company: It is up to them to develop fuel-saving technologies at an affordable price. It is their job to ensure that driving a car doesn't give motorists a guilty conscience.

These are customers who will continue to pay good money for driving pleasure that is environmentally responsible.

The next customer group is definitely enthusiastic about cars. They consider driving to be just another lifestyle choice. These customers enjoy a sustainable lifestyle that also favours design and aesthetics.

This is another group that is related to premium and lives a decidedly modern lifestyle. These customers are fascinated by innovative technology and follow the latest trends. They are often early adapters. And they know all about the latest innovations in premium sector – and expect companies to offer them.

But this attitude doesn't just apply to cars. In fact, cars compete with other products that showcase their personal lifestyle.

Sustainability is very important to these customers. But they like it to be highly visible, so they can show it off. That is why incremental improvements in drive technology often fail to satisfy these customers. They want the "big innovation story" – packaged in a visibly progressive vehicle concept.

The third, and smallest, group is prepared to make genuine sacrifices to help protect the environment.

Date 2 December 2009

Topic Statement by Dr. Friedrich Eichiner, Member of the Board of Management of BMW AG, Finance,
Sneak Preview

Page 7

This group, whose members often come from the classic eco-movement, has virtually no affinity towards cars and cannot be interested in premium cars as such.

Our customers buy vehicles that are responding to the challenge of climate protection and rising oil prices – vehicles that are socially-acceptable and enhance their owners' image.

We firmly believe that with Efficient Dynamics we have found the right solution for the majority of customers today. These customers like to talk about what mileage they get and how their car performs.

Performance and efficiency must go hand in hand. The size of the vehicle and the number of cylinders it has are no longer decisive on their own.

We do realise that efficiency alone is not what gives premium its substance. The fascination of the premium brand must be paired with other purchase criteria.

Customers in the lifestyle group, in particular, want to fully experience their premium vehicle and use it to meet their personal needs. To them, premium is about innovative services as well as the best possible handling. In that respect, the networked automobile certainly has a future.

For this second group we are developing new, sustainable mobility concepts under the umbrella of "project i".

"Project i" is about much more than just alternative drivetrain technologies. We are developing new vehicle families that will re-define mobility. In this way we also hope to reach out to customers who are not typical BMW drivers.

Date 2 December 2009

Topic Statement by Dr. Friedrich Eichiner, Member of the Board of Management of BMW AG, Finance, Sneak Preview

Page 8

To do so, we are developing a new language of form and design. We are working with new kinds of materials, including recycled materials, in new processes. And we will offer alternative drive solutions – like Battery Electric Vehicles.

To achieve this goal, we have taken two new partners on board: The battery supplier SB LiMotive will provide us with battery cells for drivetrains; while in a joint venture with the SGL Group we will also be producing carbon fibres for future vehicle construction.

The Vision EfficientDynamics sports car is a taste of future concepts. This vehicle combines a three-cylinder diesel engine with two electric motors. The car boasts sensational performance. With its focus on lightweight design it is easy to forget that this vehicle meets the highest safety standards.

You all know that we are still a long way from wide-scale E-mobility. In fact, we don't know precisely which types of mobility will define the future.

But we are prepared. We have the technological competence and the innovative strength.

We will stay in tune with our customers. And our premium cars will continue to meet modern demands better than others.

Back to the present: Next year's new BMW and MINI models are waiting for you. I hope you will enjoy the presentation. Now, before I hand it over to my colleague Klaus Draeger, I am looking forward to answering your questions.

Thank you for your time.