

BMW Group

Investor Relations.

International Launch Event – 6 Series Convertible
Cape Town, February 4, 2011

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Statement by

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Member of the Board of Management of BMW AG, Finance

International Launch Event BMW 6 Series Convertible

February 4, 2011

Ladies and Gentlemen,
Welcome to Cape Town!

I'm glad you made the long trip to be here with us today. At this time of the year, you really have to take a long-haul flight if you want to enjoy any kind of convertible feeling. So I do hope you were able to get a good impression of the new 6 Series Convertible today.

There were other reasons why we chose South Africa, too:
Last year's soccer World Cup showed the world just how welcoming South Africa and its people are.

But South Africa has also become an important market for us. The BMW Group has been in this country since 1973. That was the year we built our first plant outside of Germany – here in South Africa, in Rosslyn.
In 1973 we sold 2,100 BMW cars in South Africa. Last year, that number amounted to about 23,000.

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South Africa is also a key pillar of our international production network. This is where we build most of the right-hand-drive BMW 3 Series cars we sell worldwide.

- About one fifth of the 3 Series Sedans built in Rosslyn are sold to customers in South Africa.
- The rest are exported – to the U.S. and Japan, for instance.
- In total, some 46,000 vehicles were produced in our plant in Rosslyn in 2010.

The BMW brand is very popular in South Africa. The premium segment share of BMW Group was about 35% in 2010. Every third premium vehicle sold in South Africa is a BMW, MINI or Rolls-Royce.

Our success in South Africa also has to do with our considerable social commitment in the region: We have been actively involved in social projects in South Africa for almost four decades.

We focus on the areas of:

- Education and training,
- Measures to fight HIV and AIDS, and
- Support for the neighbourhoods where our local employees live.

I can't talk too much about 2010 today – as you know, we won't be releasing our annual report until 15 March, with the key figures just a few days before that.

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But, I can say that, overall, the BMW Group performed very well last year. Our automotive sales increased by 13.6% to 1.46 million units.

All three brands were highly successful. And our Financial Services business is also back on a dynamic course for success.

We benefitted from the global market recovery and saw strong growth, particularly in many of the Asian markets. We profited from our well-balanced position in the markets: Our sales success rests on several pillars.

Europe remained our main sales region – every second vehicle was delivered in the European markets.

We saw US sales grow for the first time after the crisis at a two-digit percentage rate. We have the right strategy to tap the growing potential of the North American market. China experienced an outstanding growth rate of more than 80% with some 170,000 vehicles sold. Nevertheless, we do not depend excessively on this region. In sum, we sold approximately the same number of vehicles in the other emerging markets.

Our new vehicles are in strong demand. And so are our shares – which went up by about 85% last year.

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We were also able to obtain funding at very favourable conditions on the capital markets. This bolstered the success of our Financial Services business. The public and the capital markets see the BMW Group as one of the companies that emerged from the crisis more robust and more successful than before.

Overall, we were very satisfied with our business performance in the last financial year.

2010 showed that the BMW Group can succeed with its business model. Focussing wholly on premium will continue to pay dividends in the future. We are relying more than ever on our three strong and attractive premium brands and on the strengths of our products: state-of-the-art technology, top quality and the finest engineering.

Last year also showed that premium is becoming more and more closely linked to sustainability. The BMW Group was the first manufacturer to recognise this and to implement sustainability across its entire fleet with efficient engines and Efficient Dynamics. This gives us a definite competitive edge. But that is not our only advantage: I believe our "premium" business model holds great potential for us – more than we could expect in the mass market.

Attractive returns are one factor in favour of this segment. Our customers value the charisma of a desirable brand with an emotional connection. They appreciate the innovation and quality of our premium vehicles. And those customers are prepared to pay more for the qualitative and emotional value-added they offer.

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The revenue per unit is also much higher here than in the high-volume market. That makes the premium segment better at absorbing cyclical fluctuations. You can see this in the way premium manufacturers rebounded so quickly from the crisis.

But the most important factor is the promising perspective our business model holds for the future: Premium has excellent growth prospects. In many emerging markets – and in Asia, in particular – premium cars are in high demand. They are a symbol of prosperity and a show of individuality.

And there is still premium potential in Western markets, too: Small cars that meet premium standards will play a bigger role and open up additional opportunities for growth in the future.

There is a general trend towards greater brand orientation. The popularity of premium brands and the desire for differentiation through high-quality products are very much in evidence. High rates of premium growth are forecast all over the world.

Our most recent customer surveys confirmed that:

- The premium trend is here to stay.
- The premium segment will continue to grow.

In fact, the global premium market is currently growing faster than the mass market. Some of that is basically “catching up” after the crisis, but it also has to do with the end of the scrappage bonus.

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Forecasts predict growth for both the small car segment and the larger vehicle classes.

The small car segment will grow faster than other vehicle segments over the coming years. This means that this class will demand a more diverse range of products. We will be bringing those kinds of products – such as small-format BMWs with front-wheel-drive – onto the market.

However, the larger vehicle classes will also continue to expand over the next few years – driven by the BRIC countries and other emerging markets, but also by traditional car markets such as the U.S.

This is confirmed by our most recent surveys of new premium customers in Germany, the U.S. and China:

- 88 percent of customers in Germany say they intend to stick with their current vehicle class in the future or upgrade to a higher class. Many of the remaining customers were still undecided.
- The findings were similar in the U.S.: Here around 90 percent of customers plan to stay within the same class or are considering a larger vehicle.
- In China, 38 percent say they will stay with their current vehicle class – while 57 percent want their next vehicle to belong to a larger class.

Premium customers do not want to compromise on comfort or safety – or their cars' performance. Regardless of vehicle class – they all want a responsive drive train.

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Many customers want to combine efficiency with sporty performance.

- This is exactly what we offer on a broad technological basis with Efficient Dynamics.
- We offer our customers attractive premium products in all segments.
- We have our sights on all markets – that means, established markets, as well as growth regions, around the world.

Luxury will always be in demand: luxury, as perfectly embodied by the new 6 Series Convertible. The 6 Series Convertible defines luxury through elegance, superior technology – and efficiency.

The 6 Series Convertible is a very modern form of luxury: Our Efficient Dynamics measures make it the most efficient convertible in its class in terms of fuel consumption and CO₂ emissions.

The average fuel consumption of the new 640i Convertible is 7.9 litres per 100 kilometres in the EU test cycle. Its CO₂ rating is 185 grams per kilometre.

The new 6 Series Convertible is an important brand shaper for us. It helps communicate BMW brand values and underlines the sporty character and exclusiveness of the brand. The new 6 Series Convertible stakes our premium claim in the upper vehicle class.

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The new 6 Series Convertible is designed to reach out mainly to customers in traditional automobile markets.

The main market for the 6 Series Convertible will be the U.S. – Germany, the U.K. and Japan will be other key markets.

The new BMW 6 Series Convertible will be built at our Dingolfing plant. The same plant where the BMW 7 Series and BMW 5 Series models are produced.

We achieved a high level of communality amongst these models. We also took a further step towards reducing production costs. Nevertheless, we strengthened the quality and exclusive feel of the car's interior compared to its predecessor.

With these measures, we have created a very good basis for the first derivative of the new 6 Series.

The business case for the new 6 Series Convertible is strong, and has clearly improved since the previous model.

We anticipate significant demand for the new model. It is coming onto the market at exactly the right time. Demand for luxury vehicles is healthy and dynamic. We expect sales of the new 6 Series Convertible to perform even better than the previous generation over the course of its lifecycle.

The coming months will be all about the new 6 Series Convertible – to be followed in autumn by the new 6 Series Coupé.

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And, as you know, we are expanding the 6 Series by adding an exciting new model: a 4-door coupé that will come onto the market next year. We have already presented the concept car – the BMW Concept Gran Coupé – on several occasions.

This model will considerably improve the profitability of the 6 Series derivatives: We will benefit from the efficient development of this model line through the use of virtual development as well as common modules and a reduced development time. Furthermore, the volume growth of this model line will result in improving economies of scale.

I will come back to this point later.

The new 6 Series Convertible enhances the BMW Group's already high-value product mix. This puts us in a strong competitive position.

Allow me to go into a little more detail about our sales expectations for 2011. We aim to strengthen our position as the world's leading premium manufacturer in 2011. The BMW Group is targeting record sales of more than 1.5 million vehicles – and we will achieve this with new record highs for all three brands.

We expect to make significant sales gains in the first six months in particular, thanks to our new models. Remember: The 5 Series Sedan and Touring will be fully available for the first time in the first half of the year. And don't forget the X1, the X3 and the MINI Countryman.

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We expect things to slow down a little in the second half of 2011. It will not be possible to maintain the same rate of growth as in the first few months –this is primarily the result of basis effects and lifecycle factors.

At the same time, we will be keeping a close eye on economic developments and economic and monetary policy in markets such as China – but also in the United States.

And, although we are not sceptical, we will definitely stay alert to the risks of a potentially weakening global economy.

We have proven in the global recession that we are able to react with flexibility and agility. I firmly believe in these strengths. We are very well prepared to face future turbulence in the global economy.

We start the new year with a great deal of confidence and faith in our own strength. Our strategy – and the measures we have taken to implement it – have proven successful. We aim to continue along this route in order to reach our milestones in 2012.

I would like to wish you all an enjoyable evening and a pleasant stay here in South Africa. I look forward to talking to you.

Thank you.