Ladies and Gentlemen,

Welcome to the BMW Group’s Annual Accounts Press Conference.

My core message today is:

The business year 2005 was a strong and very successful year for the BMW Group. In operative terms, 2005 was even the best year in our company’s history.

In detail:

- In a highly competitive environment of the international automotive markets, we have reached a net profit of over € 2.23 billion last year, thus matching the record level of 2004. When we look at the profit before financial results of over € 3.79 billion, we actually achieved an increase in earnings.

- And we will continue our successful development in the current business year 2006. We aim at reaching a new record volume in automotive retail. Moreover, the BMW Group aims to raise profit before tax above the 2005 level.

Ladies and Gentlemen,

With today’s report, I am focusing on the following three topics:

1. the evaluation of the business year 2005
Let me go directly to the first topic – the evaluation of the last business year 2005. We have already published our 2005 figures and explained them in our yesterday’s Annual Accounts Press Conference. Many of you surely have followed this conference. So I would like to focus on the key figures today:

- BMW Group automobile retail rose by 9.9 per cent to a new record of over 1.3 million vehicles. Each of our three premium brands – BMW, MINI and Rolls-Royce – achieved an increase in retail last year. And all three brands are the market leader in their respective segments.

- A few words about the BMW brand: At more than 1.12 million vehicles delivered to customers, BMW sold more cars than any other premium brand in 2005. The brand was even able to extend its lead over competitors – in absolute terms as well as in terms of percentage. This means: BMW has grown more dynamically than its competitors.

- More than 250,000 BMW vehicles sold in 2005, or almost a quarter, were equipped with a four-wheel drive. xDrive is by far the most successful four-wheel drive system within the premium segment. Only volume manufacturers such as Jeep, Ford, GM and Toyota are ahead of us in this area.

- Thanks to our strong growth in the business year 2005, the BMW Group has for the first time been the number one in terms of retail among premium manufacturers in the global automotive industry. It is our goal to secure and strengthen this leading position in the years to come.
In 2005, retail of our motorcycle business increased by 5.6 per cent to a total of more than 97,000 units.

In the financial services segment, the overall figure for finance and loan contracts exceeded the magic mark of two million for the very first time last year. By the end of the business year, we had outperformed last year’s result by 13.2 per cent.

**Revenues**
Our key financial data is also above that of most competitors. Group revenues in 2005 rose by 5.2 per cent to a new record high of over € 46.6 billion.

**Earnings**
At € 3.28 billion, profit before tax decreased by 8.3 per cent compared to the 2004 record level. Over the course of the business year 2005, we had mentioned frequently that we aim to achieve approximately the high level of earnings of last year.

**Net profit**
Looking at net profit, we matched the 2004 record, posting a result of over € 2.23 billion.

We achieved this result despite negative external effects on our profit development just like the entire automotive industry experienced in 2005. Besides ongoing intense competition, we were facing considerable burdens arising from currency effects and the exceptionally high prices for raw materials, metals, steel and synthetics. Overall, these burdens summed up to almost € 1 billion – just about the amount analysts had predicted.

However, we took active countermeasures, thus compensating negative effects almost completely by the end of the year. On the one hand, this has been due to the strong increase in retail. On the other hand, the operational strength of our organization has clearly paid off again. We never implement efficiency measures on short notice. Quite the contrary: We see them as continuous measures to
optimize our structures and processes. This is how we guarantee the highest level of efficiency at any given time and in all divisions of our company.

We met our goals in the business year 2005 despite the accumulation of external burdens and despite the particular effects from market valuations such as the negative development on the exchangeable bond option relating to the BMW Group investment in Rolls-Royce plc.

In mid-February 2006, we completed the share buyback program adopted last year. Mr. Krause will go into details later on. All in all, we have bought back around 20.2 million in ordinary stock or three per cent of share capital. This accounted for an expenditure of € 759 million. When you add the raised dividend, amounting to about € 420 million, we are going to let our shareholders participate in the corporate success of the business year 2005 with almost € 1.2 billion.

Workforce
Many companies laid off employees last year when they restructured. The Top 30 of Germany’s stock corporations have cut about 300,000 jobs over the course of the last five years. During the same period, the BMW Group has created 11,000 jobs in Germany alone, a total of 12,000 jobs worldwide. Following the strong increase of the last few years, the number of BMW Group associates has remained about the same in 2005. At the end of the business year, 105,798 associates worked for our company worldwide. More than three quarters of our associates is located in Germany. The number of apprentices has also remained unchanged at 4,464. We are going to raise flexibility of our production structures even further and are going to continuously improve productivity, just like we did in the past.

Product and market initiative
So far about 2005, ladies and gentlemen. I would now like to move on to the second topic – a review of our product and market initiative which we started to implement in 2001. This product and market initiative is the foundation of our company’s long-term strategy which focuses on continuous growth and an
increase in corporate value.

By expanding the product range, the BMW Group has grown into a new dimension over the last five years. There is no premium manufacturer in the automotive industry which can match our wide and young product portfolio. Before we started our product initiative at the beginning of 2001, we were a manufacturer with only one premium brand and six model series. Now, at the beginning of the business year 2006, we have three premium brands and ten model series.

It is a guideline of our corporate strategy to continuously expand with new models into established as well as new segments, like we did with the BMW 1 and 6 Series, the BMW X3 or the MINI. All model decisions of the past years have turned out to be right, because all models have contributed to our company’s growth.

**Retail volume BMW Group 2000 to 2005**
Accordingly, our retail volume has risen by almost two thirds since the beginning of the product initiative, meaning: between the end of 2000 and the end of 2005.

During this time, we have grown both with new models and with our well-established core series. In 2005, we updated our core model series by launching the new 3 Series Sedan and Touring as well as the model update of the BMW 7 Series and the four-wheel drive version of the 5 Series.

Next week, we are going to launch the model update of the Z4 Roadster and the new Z4 M Roadster in Europe. In early summer, we are going to add a new member to the Z4 family – the Z4 Coupe as well as the corresponding M version. But that is not the end: We are going to introduce even more exciting models this year.

Just like all the other product decisions of the last few years, these new models are going to pay off over the course of the coming years. And we are continuing to invest into the future of the BMW Group. Our overall investment into new
products and the product-related extension of production capacities is going to amount to around € 19 billion between 2005 and 2009. This includes two completely new model series which we have announced as of 2008.

One of these will be a Crossover, a Sports Activity Vehicle with a four-wheel drive and a raised seating position. At the same time, it will have the character of a sports car and the looks of a coupe. The other new model series, the Room-functional concept, offers driver and passengers more individual interior space which can be used in different ways depending on the particular situation. This vehicle is another embodiment of the typical BMW brand values – dynamics and sheer driving pleasure. So in the future, we are going to be a manufacturer with three brands and twelve model series.

**Markets**

Apart from expanding our product portfolio, we are going to promote continuous growth by consistently strengthening our presence in traditional markets and by entering new markets. In 2005, we adopted further strategic measures which are going to pay off in the next years:

- With our new sales subsidiary in Portugal, we now have own sales subsidiaries in all Western European countries. Since the foundation of the new organization, we have raised our retail volume in Portugal by more than 50 per cent compared to the year 2004.

- Complementing our joint venture with Brilliance China Automotive Holdings Ltd., we have founded a sales subsidiary in China which is now directly and solely responsible for the import business. We believe in the potential the Chinese automotive markets – China, Hong Kong and Taiwan – have to offer. These markets have returned to a solid growth path in 2005, with an average annual increase of about 25 per cent. In the Chinese markets, the BMW Group has grown even stronger in 2005 – by 36 per cent to more than 33,000 vehicles compared to the previous year.
Today, the BMW Group operates its own sales subsidiaries in 35 countries. By preparing our market entry in India, we made an additional important step in our Asia strategy. Our sales subsidiary in the greater Delhi area will become operational at the beginning of 2007, just like our assembly plant for BMW 3 and 5 Series vehicles in Chennai. Currently, India’s automobile market comprises around 1.1 million vehicles. According to our estimates, this number is going to double by 2010. And we want to benefit from the growth potential of this huge future market with about 1.2 billion consumers.

For this reason, our market decisions as well as product decisions are always of a long-term nature thus creating opportunities for the future growth of the BMW Group. While new markets such as China or India are showing higher dynamics, we are definitely growing strongest in absolute terms on the triade markets, the US, Western Europe and Japan.

The U.S. market has again been the biggest single market for the BMW Group in 2005. For the first time, we sold more than 300,000 vehicles to U.S. customers. So the BMW Group has remained the most successful European premium manufacturer in the U.S., just like in 2004.

**Profit before tax**

We had to provide considerable intermediate input for our product and market initiative. However, these investments upfront have not diminished our overall business success. Instead, they are increasingly paying off. With Group earnings steadily over € 3 billion for the past five years, our earnings have remained on a very high level. Despite difficult external conditions in 2005, we managed to post the third-best profit-before-tax-figure in our company’s history. Our Group gross margin remains high at about 23 per cent. At the same time, we have substantially increased the BMW Group’s financial strength. This is reflected for example by the operative cash flow, which is cash inflow from continuous activity of our industrial operations. This figure has risen steadily from € 4.3 billion at the end of 2001 to almost € 6.2 billion at the end of 2005. This gives us the necessary leeway for financing further growth.
The product and market initiative as well as the considerable financial strength of the BMW Group are a solid foundation for our future growth. As you know, in 2002 we announced our long-term goal to raise global retail volume to 1.4 million vehicles by 2008. And we are clearly on track.

We follow a consistent, reliable corporate strategy, which focuses on the long-term success of the company. The advantage of this approach is that you stay on course even when short-term irritations occur. In addition, you avoid premature reactions and wrong decisions.

In the end, long-term profitable growth guarantees our independence. Just consider the following facts:

• Market capitalization. The BMW Group with almost € 27 billion is the number five in the global automotive industry and one of the most valuable automotive companies.

• Margin based on profit before tax line was 7 per cent in 2005 – despite external burdens. This means, that we belong to the most profitable manufacturers in the automotive industry.

• Return on capital employed in the automotive segment was around 23 per cent. We continuously earn significantly more than our cost of capital, thus generating substantial value added. Our return on capital employed is among the best in the automotive industry.

Outlook

Ladies and Gentlemen,

What can you expect from us in the future? This brings me to my third topic – an outlook on the current business year and the years ahead.
The BMW Group is going to continue its successful course this year. As already announced, we intend to reach a new Group record in automobile retail this year.

During the first two months of 2006, Group retail has risen by more than 14 per cent. However, we are not going to keep growing at this pace over the entire course of the year. Base effects due to model changes, mainly for the BMW 3 Series Sedan and Touring, are coming into play here. Both new models proved to be key drivers of retail in January and February. But last year’s basis of comparison is relatively low as both new models were not yet available a year ago.

Another point is that we will not be able to deliver the same amount of MINI vehicles this year as we did in 2005. Paradoxical as it may sound, the reason is actually the lasting success of the MINI brand. As we intend to build even more MINI vehicles for our customers in the future, we are extending our production capacities at MINI Plant Oxford. With a seven-day working week at Plant Oxford, we need to stop production due to construction measures and we have no way to compensate for that. These measures are preliminary conditions for the extension of the MINI family and the future growth of the MINI brand.

However, none of this will change our goal to reach a new record in retail volume in 2006. We intend to secure and strengthen our position as the world’s leading premium manufacturer.

For this reason, we are pursuing our product and market initiative in a determined manner – by expanding our product portfolio in a focused way and by systematically entering new markets and segments.

Our company’s earnings will again be affected by the existing external burdens this year, namely by currency effects and high raw material prices. But these effects will not be as strong as last year. Positive earnings contributions in 2006 will arise from a growth in retail and an improvement of our product mix. At the same time, we are continuing our measures to increase efficiency and productivity.
Given that the overall economic development will not exhibit any additional negative effects, it is our goal for 2006 to generate a profit before tax of € 4 billion on Group level, after € 3.287 billion in 2005. Of course, this figure includes the positive effects from the Rolls-Royce exchangeable bond of € 350 million to date. We intend to make 2006 the most successful year in our company’s history, both in terms of retail and our operative earnings.

In the years to come, the BMW Group will continue its course of profitable growth. And we will continue to achieve a rate of return above the average in the automotive industry.

Thank you very much for your attention!