Statement by  
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Chairman of the Board of Management of BMW AG  
Financial Analysts’ Meeting  
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Ladies and Gentlemen,

Welcome to the BMW Group’s Financial Analysts’ Meeting.

My key messages today are:

The business year 2005 was a strong and very successful year for the BMW Group. In operative terms, 2005 was the best year in our company’s history. And 2006 will turn out to be even better.

In detail:

- In a highly competitive environment, we have reached a net profit of over 2.23 billion Euros last year, thus matching the record level of 2004. Looking at the profit before financial results of over 3.79 billion Euros, we actually achieved an increase in earnings.
- We will continue our successful development in the current business year 2006. We aim at reaching a new high in retail. Moreover, the BMW Group aims to raise profit before tax above the 2005 level.

In my report, I am focusing on the following three topics today:

1. an evaluation of the business year 2005  
2. a review of our product and market initiative since its implementation in 2001  
3. an outlook on the expected Group development for 2006 and beyond based on our ongoing dynamic product and market initiative.
Let me go straight to the first topic – the evaluation of the business year 2005. We have already published our 2005 figures and yesterday explained them in our Annual Accounts Press Conference. Many of you surely have followed this conference. So I'll focus just on the key figures today:

- **BMW Group automobile retail** rose by 9.9 per cent to a new peak 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.

- **Group revenues** in 2005 rose by 5.2 per cent to a new record high of over 46.6 billion Euros.

- **At 3.28 billion Euros**, 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 at various occasions that we aim to achieve approximately the high level of earnings of the previous year.

- **Looking at net profits**, we matched the 2004 record, with a result of over 2.23 billion Euros.

We achieved these results 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, precious metals, steel and synthetics. Overall, these burdens summed up to almost 1 billion Euros – 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 just on short notice. Quite the contrary is true: We view efficiency as an ongoing
effort to optimize our structures and processes, 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 the details later. All in all, we bought back around 20.2 million ordinary stocks or three per cent of our share capital. This accounted for an expenditure of 759 million Euros. When you add the raised dividend, amounting to about 420 million Euros, we are going to let our shareholders participate in the corporate success of the business year 2005 in the magnitude of about 1.2 billion Euros.

That much about 2005, ladies and gentlemen. I will now 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.

**Product and market initiative**

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 that 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 cornerstone 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. The model decisions of the past years
have turned out to be right, since all models have contributed to our company’s growth.

**Retail volume BMW Group 2000 to 2005**

Accordingly, our retail has risen by almost two thirds since the beginning of the product initiative that is 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 versions 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 another new member to the Z4 family – the Z4 Coupe as well as the corresponding M version. And this is not the end: We will 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 will continue to invest in the future of the BMW Group. Our overall investment in new products and the product-related extension of production capacities is going to amount to around 19 billion Euros between 2005 and 2009. This includes the two completely new BMW model series as of 2008, which we have announced already.

One of these will be a Crossover between a Coupe and a Sports Activity Vehicle with four-wheel drive and a raised seating position. At the same time, it will have the character of a sports car. The other new model series, the Room-functional concept, offers driver and passengers more individual interior space, which can be utilized 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, as a next step, 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 generate 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 our own sales subsidiaries in all Western European countries. Since the establishment of the new organization, we have increased retail 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 established a sales subsidiary in China which is 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. Demand for our vehicles has grown even stronger in 2005 than the overall Chinese market – 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 intend to benefit from the growth potential of this huge future market with a population of about 1.2 billion.

For this reason, our market decisions as well as our 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 exhibit higher dynamics,
we are definitely growing strongest in absolute terms in the triad markets: USA, Western Europe and Japan.

The U.S. market again turned out to be 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. This means that the BMW Group is the most successful European premium manufacturer in the U.S., just like in 2004.

**Profit before tax**

We made considerable upfront investments for our product and market initiative. However, these investments did not diminish our overall business success. Instead, they are increasingly paying off. With Group earnings consistently above 3 billion Euros in the past five years, our earnings have remained on a very high level.

Despite difficult external conditions in 2005, we managed to reach the third-best profit-before-tax-figure in our company’s history. Our Group gross margin remains at a high level of 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 the cash inflow from continuous activity of our industrial operations. This figure has risen steadily from 4.3 billion Euros at the end of 2001 to almost 6.2 billion Euros 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 increase global retail to 1.4 million vehicles by 2008. Here, 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 safeguards our independence. Just consider the following facts:

- Market capitalization. The BMW Group with almost 27 billion Euros is number five in the global automotive industry and one of the most valuable automotive companies.
- Margin based on profit before tax was 7 per cent in 2005 – despite external burdens. So, we are one of the most profitable manufacturers in the 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 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 last year’s 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 in the showrooms 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. As paradox 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 have to expand our production capacities at the MINI Plant Oxford. With a seven-day working week at the Oxford plant, we need to interrupt production due to necessary 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 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.

Ladies and Gentlemen,

Given that the overall economic development will not lead to any additional negative effects, it is our goal for 2006 to generate a profit before tax of 4 billion Euros on Group level, after 3.287 billion Euros in 2005. Of course, this figure includes the positive effects from the Rolls-Royce exchangeable bond of 350 million Euros 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 ahead, the BMW Group will continue its course of profitable growth. And we will continue to achieve a rate of return above the average of the automotive industry. Thank you very much for your attention!