BMW Group aiming for record profit in 2006
Best year in company’s history in terms of operating results
Profit before tax to increase to euro 4 billion
Strong and successful financial year 2005

Munich. In 2006, the BMW Group is on its way to the best year in the company’s history. “Our target is to achieve a profit before tax of euro 4 billion in the current financial year at Group level”, Helmut Panke, Chairman of the Board of Management of BMW AG announced at the Annual Accounts Press Conference in Munich on 15 March 2006. This includes the positive impact of a gain arising from the sale of shares in the British aero engine manufacturer Rolls Royce plc., amounting to euro 350 million to date. “We will continue our profitable growth course in the coming years and generate above-average returns compared to the industry as a whole”, Panke continued.

Currency effects and high raw material prices will continue to have an impact on business development in the current year, however to a lesser degree than in the previous year. This negative effect is partly attributable to the fact that we have less favourable currency hedge rates compared to last year which will have an impact especially in the first half of 2006. The BMW Group will counter this development by means of continuous efficiency and productivity improvements. The targeted sales volume record and improvements in the sales mix will also make a positive contribute to earnings. “In terms of operating results, the current year will therefore be the best year in the company’s history to date”, Panke emphasised.

The BMW Group was again able to prove its inherent strength in the financial year 2005 despite the difficult conditions the worldwide automotive industry is facing. Thanks to the clear sales volume increase and on-going efficiency improvement measures, the negative impact of adverse currency factors and high raw material prices was almost completely offset by the year-end. The profit before tax, at euro 3,287 million, was, as already announced, at approximately the same high level as in the previous year (2004; euro 3,583 million/-8.3%), thus exceeding market expectations.

Before financial result and taxes (and therefore excluding the expense of euro 356 million in conjunction with the exchangeable bond option on shares in Rolls Royce plc), the operating profit (EBIT) rose by 0.5% to a new record figure of
The net profit, at euro 2,239 million, was at a similar high level as in the previous year (2004: euro 2,242 million/ - 0.1%). Factors contributing to this development were the lower tax rates applicable in various countries outside Germany and tax reimbursements for prior years. Earnings per share were unchanged from the previous year, at euro 3.33 per share of common stock and euro 3.35 per share of preferred stock.

Group revenues rose by 5.2% to a new high of euro 46,656 million (2004: euro 44,335 million) due to increased sales volumes and the extremely positive performance recorded in the financial services business. The pre-tax return on revenues, at Group level, was 7.0% (2004: 8.1%). “The BMW Group is currently the premium manufacturer with the highest sales volume in the world and is also ahead of almost all of its direct competitors in terms of profitability”, Panke underlined.

**Dividend to increase again**

In light of the high level of profitability and the positive outlook for the new financial year, the Board of Management and the Supervisory Board will propose a further dividend increase to the Annual General Meeting on 16 May 2006. The unappropriated profit of BMW AG available for distribution amounting to euro 424 million will be used to pay an increased dividend of euro 0.64 per share of common stock (2004: euro 0.62) and one of euro 0.66 per share of preferred stock (2004: euro 0.64).

**Authorisation to buy-back shares proposed**

Furthermore, a proposal will be made again to the shareholders at the Annual General Meeting to authorise the buy-back of up to 10% of the Company’s share capital. It has not yet been decided whether or the extent to which the authorisation will be applied to buy back further shares. The buy-back programme decided in September 2005 covering 20,232,722 shares of common stock, or 3% of share capital, was completed on 15 February 2006. In total, shares were bought back for an amount of approximately euro 759 million, at an average price per share of euro 37.51. By the way of dividend and share
buy-back, the shareholders of the BMW Group will participate in the success of the company in a magnitude of close to euro 1.2 billion.

**Capital expenditure to remain at high level**

In the light of the expected continued improvement of cash flow, the BMW Group will strengthen its competitiveness with a substantial capital expenditure programme also in the future: some euro 19 billion are planned to be invested between 2005 and 2009 in order to expand business operations. At the same time, the BMW Group will continue to generate cash flow surpluses due to the earnings and financial strength of its operating activities.

Capital expenditure in 2005, at euro 3,993 million, again remained at a high level. This corresponds to a decrease by 8.1% (2004: euro 4,347 million). Capitalised development costs according to IAS increased by 24.5% to euro 1,396 million (2004: euro 1,121 million). A total of euro 2,597 million (-19.5/ 2004: euro 3,226 million) was invested in property, plant and equipment as well as intangible assets.

The increase in capitalised development costs resulted from the higher number of series development projects carried out during the year under report. At 44.8% (2004: 39.8%), the proportion of capitalized development costs is still relatively low for the industry. Including capitalised development costs, the capital expenditure ratio in 2005 (i.e. the ratio of capital expenditure to Group revenues) was 8.6% (2004: 9.8%).

Cash flow for the year, at euro 5,603 million (2004: euro 5,187 million), rose by 8.0% and, as in previous years, exceeded capital expenditure. Free cash flow from industrial operations increased by 82% to euro 3,717 million as depreciation on intangible assets and property, plant and equipment increased and capital expenditure decreased.

**Sales volume of all brands at new high level in 2005**

The sales volume of all brands reached new peak figures in 2005. With 1,327,992 BMW, MINI and Rolls-Royce brand cars sold in the past year, the
BMW Group beat the sales volume record set in the previous year by 9.9% (2004: 1,208,732 cars).

“The product and market initiative is, and will remain, the decisive factor for the BMW Group’s continuing successful performance. With our product and market initiative, we will continue to pursue our course of growth and expansion in a determined matter”, Panke emphasised. Due to the strong brand and product portfolio, the company sees further growth potential for the current year: “We expect the BMW Group to achieve a new sales volume peak in the 2006 business year”, Panke stated.

**BMW brand records strong sales volume increase in 2005**

With its core model series, the 3, 5 and 7 Series, the BMW brand was the worldwide frontrunner in 2005 in each of the relevant segments. The sales volume of the core brand rose by 10.1% to 1,126,768 (2004: 1,023,583) units. With a total of 149,493 units sold, the BMW 1 Series met high demand in its first full year of production (2004: 39,247 units). The BMW Group’s best-selling car, with 229,932 units sold, was the new 3 Series Sedan available since March 2005. This model accounted for 17% of the total sales volume for 2005. In total, 434,342 units of the BMW 3 Series were sold worldwide last year. This means that, despite the model changes of the two best-selling variants - the 3 Series Sedan and the 3 Series Touring - the previous year’s sales volume was nearly reached (-3.4%/2004: 449,732 units).

With 228,389 units sold in 2005, the BMW 5 Series nearly matched the previous year’s high level as well (-0.5%/ 2004: 229,598 units). The number of BMW 6 Series cars sold went up by 10.9% to 23,340 units, well above the previous year’s level (2004: 21,040 units). In the luxury class, a total of 50,062 BMW 7 Series cars were delivered to customers (2004: 47,689 units), an increase of 5.0%. The BMW X3 recorded strong growth: the number of Sports Activity Vehicles delivered rose by 20.0% to 110,719 (2004: 92,248) units. The BMW X5, in its sixth year since market launch, continued to meet strong demand, and with 101,537 vehicles sold, almost achieved the previous year’s high level (-3.3%/104,988 units). In total, more than 250,000 BMW cars sold in 2005 were equipped with xDrive, thus representing the most successful four-wheel drive
system within the premium segment. The sales volume of the Z4 in 2005, at 28,808 units, was below the previous year’s level (-25.1%/38,483 units). The BMW Group presented the updated model of this Roadster in January. In early summer, the Z4 family will be supplemented by the Z4 Coupé and the M-version.

**More than 200,000 MINI brand cars sold for the first time in a single year**

For the first time, more than 200,000 MINI brand cars were sold in a single year, with the number of cars delivered increasing by 8.7% to 200,428 (2004: 184,357) units. The product mix of the closed version of the MINI and of the MINI Convertible increased in value again compared to the previous year. The brand’s top model, the MINI Cooper S, recorded the most pronounced growth, with sales volume rising by 25.8% to 56,916 (2004: 45,246) units or 28.4% of the total sales volume of the MINI. The MINI Cooper remained the most popular model with a sales volume of 89,079 units (+1.4%/2004: 87,875 units) or 44.4% of the total sales volume of the MINI. 54,433 or 27.2% of our customers opted for the starter model, Mini One (+6.2%/2004: 51,236 units). Since market launch in 2001, more than 730,000 MINI cars have been delivered to customers.

**Rolls-Royce maintains its top position in the absolute luxury class**

The Rolls-Royce brand maintained its top position in the absolute luxury class. 796 Phantoms were delivered to customers, slightly more than the 792 sold in the previous year. An extended wheelbase version was presented in March 2005. This stretched model was initially introduced to the Middle East and Asia-Pacific regions and will be introduced to the American market in the course of 2006.

**Motorcycles sales volume also increases significantly**

The Motorcycles segment was also able to achieve growth due to its new models: The sales volume for the full year rose by 5.6% to 97,474 (2004: 92,266) units, with the R 1200 GS, R 1200 RT and K 1200 S contributing especially to the sales performance.
Financial Services still on growth course

The BMW Group expanded its activities in the Financial Services segment and remained on growth course in 2005. The total business volume of the Financial Services segment as disclosed in the balance sheet at 31 December 2005 increased by 24.4% to euro 40,428 million (31 December 2004: euro 32,556 million). For the first time, the total portfolio of lease and financing contracts surpassed the two million mark in 2005 and, with exactly 2,087,368 contracts in place, was 13.2% above the total number one year earlier. At 41.1%, the proportion of new BMW and MINI cars financed by the Financial Services segment in 2005 was marginally lower than in the previous year (2004: 38.3%).

Car sales volume well above previous year's level in virtually all markets

The USA continued to be the market with the largest sales volume for the BMW Group, with a total of 307,020 cars sold in 2005, up by 3.7% (2004: 296,111 cars). The BMW Group therefore remains the most successful European premium automobile manufacturer operating in the American market. The number of cars sold by the BMW Group in Western Europe increased by 9.7% to 707,800 units. Germany remained, by far, the most important European market. In total, 295,872 vehicles (2004: 283,559 vehicles) were sold, corresponding to a growth rate of 4.3%. In Asia, sales volume rose by 16.9% in 2005 to 111,469 units (2004: 95,376 units).

Car production volume increased

Due to the higher sales volume, the BMW Group also achieved new peak figures in production volume: in total, 1,323,119 BMW, MINI and Rolls-Royce brand cars were manufactured, an increase of 5.8% (2004: 1,250,345 units). More than 50,000 BMW 3 Series cars were manufactured at the new Leipzig plant between March 2005, when series production began, and the end of the year.

In total, 1,122,308 BMW brand cars were manufactured worldwide in 2005, an increase of 5.9% (2004: 1,059,978 cars). In addition, 200,119 MINI brand cars left the Oxford plant, an increase of 5.6% (2004: 189,492 cars). Furthermore,
692 Rolls-Royce Phantoms were manufactured by Rolls-Royce Motor Cars in Goodwood, England, 20.9% fewer than in the previous year (2004: 875).

**Sales network expanded**

The BMW Group further expanded its international sales network in 2005 and is now represented in 34 countries with its own sales companies. Approximately 100 countries are handled by local importers.

Following the opening of the new sales company in Portugal at the beginning of 2005, the BMW Group is now represented with its own sales companies in all Western European EU countries. With the establishment of a new sales company in China, the BMW Group assumed direct responsibility also for imports as of October. The joint venture company, Brilliance China Automotive Holdings Ltd., continues to be responsible for local production of BMW 3 and 5 Series cars and retail of those cars on the Chinese market. The BMW Group also made preparations in 2005 to enter the Indian market. The sales company, based in the Delhi region, and the assembly plant in Chennai, will commence operations at the beginning of 2007.

At present, the dealer organisation for the BMW brand comprises more than 3,000 locations around the world. By the end of 2005, the number of locations serving the MINI brand had increased to over 1,400, which means that the MINI brand is now present in 80 countries. As in the previous year, Rolls-Royce motorcars are sold worldwide by approximately 70 dealers in 23 countries.

**Workforce remains constant**

At the end of 2005, the BMW Group had a worldwide workforce of 105,798 associates, similar to the high level one year earlier (31 December 2004: 105,972 employees). More than three quarters of the workforce are employed in Germany. The number of apprenticeship positions, at 4,464, remained unchanged compared to the end of the previous year.

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<th>2005</th>
<th>2004</th>
<th>Change in %</th>
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<tr>
<td><strong>Vehicle production</strong></td>
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<td><strong>Automobiles</strong></td>
<td>1,323,119</td>
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<td>BMW</td>
<td>1,122,308</td>
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<td>MINI</td>
<td>200,119</td>
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<td>5.6%</td>
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<td>Rolls-Royce</td>
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<td>875</td>
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<td>Rolls-Royce</td>
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<td>97,474</td>
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<td>Workforce at the end of the year(^1)</td>
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<td>105,972</td>
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<td><strong>Free cash flow from industrial operations</strong></td>
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<tr>
<td>Automobiles</td>
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<td><strong>Net profit</strong></td>
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<td>2,242(^3)</td>
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<td><strong>Earnings per share</strong>(^2)</td>
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<td>3.33/3.35</td>
<td>3.33 / 3.35(^4)</td>
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\(^1\) figures exclude dormant employment contracts, employees in the work and non-work phases of pre-retirement part-time arrangements and low wage earners
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2 earnings per share in accordance with IAS 33 for common and preferred stock shares
3 adjusted for new accounting treatment of pension obligations

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