Ladies and Gentlemen,

I would like to comment on the financial statements for the business year 2006 and present to you the factors that had the largest impact on our results.

Overview of 2006

The past business year was another year of success for the BMW Group, despite various negative factors. It was also a year of major challenges and outstanding performance.

- Retail growth during the business year was lower than 2005.
- In addition, we prepared and launched some key model changes.
- Once again, we were faced with very negative external effects due to developments in foreign exchange rates and raw materials markets.
- Furthermore, interest rates rose on the money and capital markets, placing a burden on companies as well as on consumers.
- Instead of merely tolerating these adverse effects on earnings, we aimed to offset these as much as possible.

We accepted the challenges and achieved the targets we set ourselves, despite facing some headwinds.

Besides being the most successful year in our corporate history, the last business year provided us with impressive proof of the company’s strengths as well as of our employees’ high level of motivation across all divisions of the company.

The profit before tax posted a substantial year-on-year increase, rising 25.5% to 4.1 billion euros. This includes the effects of the exchangeable bond option on
shares in Rolls-Royce plc. held by BMW AG, which amounted to 372 million euros. In 2005, the negative effect on profit totaled 356 million euros. I would like to stress that operationally, i.e. net of the effect of valuing the Rolls-Royce bond, Group profit before tax rose 3.0% in 2006.

Net profit came in at some 2.9 billion euros, reaching a new all-time high as well. It jumped 28.4% compared with the previous year. This results in earnings per share of 4.38 euros for common stock and 4.40 euros for preferred stock.

**2006 Revenues per Segment**

Before we take a closer look at earnings at the Group level, I would like to review each of our business segments.

Revenues generated in the Automobile Segment were up 4.2% to about 47.8 billion euros compared with the previous year.

Revenues earned by the Motorcycle Segment amounted to 1.3 billion euros, exceeding last year’s level by 3.4%. Revenues achieved by the Financial Services Segment advanced by an impressive 17.8% to more than 11 billion euros in 2006. Group revenues amounted to 49 billion euros in 2006. This represents a rise of 5.0% over the previous year.

**Slide: Effects on the Profit in the Automobile Segment**

This brings me to the earnings situation of the Group and its segments. Let us first take a look at profit in the Automobile Segment.
The profit before tax recorded by the automobile business rose 1.2% to over 3 billion euros in 2006.
I would like to use this slide to show you the impact external effects had on the profit.

As in 2005, foreign exchange rates had a very negative impact on profit during last year. Since hedge rates worsened compared with the previous year, we were hit by external factors – above all from the US dollar and the Japanese yen. We explained these effects to you over the course of the year in our interim reports and conference calls.

In the fourth quarter of 2006, we suffered from the surprisingly strong impact of the weakness of the two previously mentioned currencies. The negative effect of foreign exchange rates in 2006 therefore totaled 666 million euros. Currencies therefore nearly had the same negative impact on profit as experienced in the previous year, when the effect amounted to 677 million euros.

As in the previous year, we were affected by the increase in the price of major raw materials such as steel and copper, as well as of precious metals such as platinum and palladium. This is another area where we established a firm basis for calculating purchasing costs using forwards and long-term supply agreements whenever possible.

We spent a total of 178 million euros more on raw materials and precious metals than in the previous year, in part due to measures taken to spread the additional costs across the value-added chain. However, the rise in costs was lower than in 2005. The additional cost amounted to 237 million euros in 2005.

Depreciation in this segment continued to rise in the year under review. The increase is a result of the substantial investments made in the product and market initiatives at the beginning of the decade. Depreciation in 2006 was up 256 million euros year on year.
As you can see, external effects again had an impact of more than a billion euros. This means that profit would have been much lower, if we hadn’t realized the following positive effects.

As you know, we strive to rise to challenges, find suitable solutions, and then implement them.

The single-largest positive effect on profits came from volume, mix and the market, amounting to 866 million euros. Last year, we benefited above all from mix-related effects.

Efficiency-enhancing measures also made a very positive contribution, adding up to 283 million euros.

Other changes had a negative effect of 13 million euros.

Despite the significant adverse effects, we increased the profit generated by the Automobile Segment to over 3 billion euros, achieving a new all-time high. This is impressive proof of the BMW Group’s operational strength and earnings power.

The burdens suffered from external effects sustained for three years now have therefore achieved one thing: By implementing a variety of measures, the company significantly improved both its effectiveness and its efficiency.

The return on sales achieved by the Automobile Segment based on the profit before tax was 6.3% in the past business year, compared with 6.5% in 2005. Despite the substantial burdens, it is therefore still at a good level.

**Effects on Profits in the Automobile Segment (2003-2006)**

The following chart shows the effects on profits experienced in the last three financial years.

Last year, we showed you a chart depicting the effects on profits generated by the Automobile segment for the first time. As you can see, the burden resulting from foreign exchange rates and raw materials in the last three business years totals more than 2 billion euros. Besides experiencing a volume, market and
price effect of about 3 billion euros, we also realized a positive effect of around 900 million euros from efficiency improvements. The efficiency enhancements are not a one-off effect. In fact, they have lifted our general efficiency. We will benefit from this continuously. At the same time, it is obvious that it will be impossible to realize additional efficiency-related effects of this magnitude on top of this. You can rest assured that we will continue to optimize our processes as we go forward.

**Business Performance of the Motorcycle Segment**

The profit before tax generated by the Motorcycle Segment grew once again by a dynamic 10% to 66 million euros, following the substantial increase posted a year earlier when it nearly doubled. The increase is due to the rise in retail growth, among other things. For the first time, more than 100,000 motorcycles were sold in a single year. In addition, efficiency-enhancement programs initiated in the previous year had a positive impact. The return on sales advanced from 4.9% in 2005 to 5.2% in 2006.

**Business Performance of the Financial Services Segment**

Now let us take a closer look at the Financial Services Segment.

As I mentioned briefly earlier, we experienced another very dynamic year in the Financial Services segment.

- The business volume in balance-sheet terms rose by 8.9% to more than 44 billion euros.
- The number of lease and financing contracts under management with customers advanced 8.8% to nearly 2.3 million.
- The penetration rate increased by 1.3 percentage points to 42.4%.
- The encouraging development in fleet operations, dealer financing and other business activities continued.
Last year, these positive factors caused profit to increase by 13.2% to 685 million euros.

The rise in interest rates was the only factor that dampened slightly this successful performance. Credit risk in the Financial Services business was on par with the previous year’s level. The bad debt ratio was 0.41%, matching the prior year level.

Interest rate risks were managed using the risk-return approach and, in terms of the value at risk, they were in fact down on the previous year.

The development of our products’ resale values continued to be very satisfactory.

I would like to show you how we are taking advantage of these good resale values on the US market.

**ALG Residual Values vs. Actual Resale Value**

As you can see, in recent years, our products had better resale values at the end of their lease periods than estimated by the forecasting institute Automotive Lease Guide which is well accepted.

We received an award for the highest resale value among premium brands in the US from Automotive Lease Guide for three straight years. The Kelley Blue Book also ranks our resale values the best in the US, and gave us the “Best Resale Value Award” in 2006.

We calculate the lease conditions in the US based on the resale values we expect to achieve. This enables us to make attractive financing offers without actually bearing any costs. This sets us apart from the competition. You should keep this in mind when considering the incentives offered by auto manufacturers in the US.
**Development of Resale Values—BMW vs. Competition**

Besides besting the resale values predicted by forecasting institutes, our vehicles’ value development is far superior to that of our competitors. The positive trend displayed here does not apply to the US alone. As you know, resale values also influence total costs over the term of a lease. Our cost of ownership is lower than that of the competition, which puts us in a position to offer attractive lease conditions. We capitalize on this advantage without employing additional financial resources.

**Segment Reconciliations**

Now let us take a brief look at the reconciliations.

The reconciliation to Group profit includes companies that have not been assigned to any of the other segments as well as intra-segment consolidations.

In the last business year, the profit before tax in the reconciliations amounted to 361 million euros compared with the 354 million euro loss in the previous year. The profit trend in this area is primarily attributed to the effects of the Rolls-Royce exchangeable bond. In 2006, we experienced a positive effect of 386 million euros from the exchangeable bond due to the conversion of the lion’s share of assets. In the previous year, the negative valuation effect for this item amounted to 356 million euros. The large difference between these figures explains the significant change in profit in the reconciliations.

**Gross Profit**

Having completed the segment overview, I would now like to present some of the key figures for the Group.
The gross margin of the Group rose from 22.9% in the previous year to 23.1% in 2006. We managed to keep cost of sales down while we were able to increase revenues. Warranty expenditures included in the cost of sales decreased due to improved product quality.

**Profit Before Financial Result**

Sales and general administrative costs were up 4.4%—also posting a smaller increase than revenues. This rise is due to retail growth and the expansion of business volume. This expense item declined relative to revenues compared with the previous year, decreasing by 10 basis points to 10.1%. As a result, its share of revenues dropped for the third straight year.

**Research and Development Costs**

The next item in the analysis of net profit is research and development costs.

During the business year 2006, the research and development costs disclosed in the income statement and total research and development expenditure including capitalization decreased relative to revenues. In absolute terms, research and development costs rose 3.2% to approximately 2.5 billion euros. The share of revenues attributed to research and development costs according to International Financial Reporting Standards declined to 5.2%.

All in all, research and development expenditure totaled 3.2 billion euros. As I just mentioned, the share of revenues attributed to research and development expenditure dropped marginally. In concrete terms, it was 6.5% compared with 6.7% a year earlier.

As in prior years, 1.5 billion euros in research and development expenditure was capitalized under strict application of International Financial Reporting Standards. The capitalization ratio rose to 47.9% due to the higher number of projects which are currently in the series development phase.
**Profit Before Financial Result**

In 2006, other operating income and expenses decreased, as in the previous year. At the end of the year, the balance amounted to 227 million euros and was therefore down 36.1% year on year. The low level of other operating income stems from the reduction in income from the reversal of provisions. Moreover, other operating expenses only posted a slight increase, advancing by 5.7% or 28 million euros.

Profit before financial result therefore amounted to over 4 billion euros, reaching a new record high. In percentage terms, profit before the financial result, also referred to as EBIT, climbed 6.8%.

The EBIT margin, i.e. the return on sales based on profit before the financial result, was 8.3% and therefore still above the high 8.1% achieved a year earlier. Now let us move on to the financial result, which changed considerably compared with the previous year.

**Financial Result and Profit before Tax**

In 2006, we posted a positive financial result of 74 million euros. In the previous year, it was a negative 506 million euros. This very significant change is primarily due to the effects in connection with the exchangeable bond option on the shares in the UK engine manufacturer Rolls-Royce plc held by the BMW Group, which were included in the other financial result.

In 2006, there was a one-off effect from the partial settlement of the exchangeable bond amounting to 386 million euros. At the same time, the impact from the development of the option’s fair value decreased from -356 million euros in the previous year to -14 million euros in last business year.
As a result, the other financial result increased to 350 million euros. In the prior year, it was a negative 306 million euros, due to the adverse effect of the exchangeable bond.

As I mentioned earlier, the profit before tax was up 25.5% year on year, amounting to 4.124 billion euros. This corresponds to a return on sales before tax of 8.4% compared to 7.0% in 2005.

**Net Profit**

Now let us have a look at net profit.

Group net profit recorded substantial growth, as did pre-tax profit. At the end of December 2006, it amounted to nearly 2.9 billion euros. This represents an increase of 28.4%. Income taxes totaled some 1.3 billion euros. The tax rate slipped slightly from 31.9% in 2005 to 30.3% in fiscal 2006. This was primarily due to the fact that the profit from the partial settlement of the exchangeable bond was tax-free. Furthermore, the present value of the corporate income tax claim of 123 million euros was capitalized due to the change in legislation which took place at the end of 2006. In 2006, the return on sales based on net profit rose to 5.9% from 4.8% a year earlier, owing to the positive operational trend and the effect I just mentioned.

**Value Orientation**

Last year, we introduced the Group’s internal management system and financial targets to you for the first time. I would like to pick up where we left off in this regard.

The main financial targets used by the BMW Group to monitor operating performance with this system are profit before tax and segment-specific return parameters.
The primary target used for the Automobile and Motorcycle Segments is the return on capital employed. The return on sales serves as an additional benchmark. The return on assets is used to monitor the Financial Services Segment and the Group as a whole.

**Return on Capital Employed—Automobile and Motorcycle**

We use the return on capital employed to monitor the Automobile and Motorcycle Segments. In the last few years, we incurred a lot of up-front expenditure and made significant investments within the scope of the product and market initiatives—above all in the Automobile Segment. This is why, besides considerably expanding the business volume, we also increased the capital base used to calculate the key figure.

As in the previous year, profit in 2006 did not fully reflect the success of the up-front investment; since the profit’s positive development was hampered by the extremely negative effects of foreign exchange rates and increases in raw material prices.

The return on capital employed for the Automobile Segment was 21.7% and therefore lower than the 23.2% recorded a year earlier. But it is much higher than the cost of capital and continues to rank among the highest in our industry. At 17.7%, the return on capital employed for the Motorcycle Segment was nearly on par with the high level achieved in the previous year.

**Return on Assets in the Financial Services Segment**

The financial target in the Financial Services business is the return on assets. Due to the encouraging development of profits and resolute target management and despite stricter refinancing conditions, the return on assets rose to 1.4% in the business year 2006.
We therefore returned to levels witnessed from 2002 to 2004 and posted a stable trend.

**Return on Assets in the Group**

The Group is also managed by using the return on assets as a target.

The BMW Group’s return on assets was also significantly higher in the year under review due to the substantial growth in profit before tax. The prior year figure of 5.6% was exceeded, as the return on assets advanced to 6.3%.

Our experience with this internal management system, which we have been using for years, has been very good. It has been of valuable service in terms of focusing the BMW Group on profitable growth.

**Capital Expenditures**

Before turning to the cash flows of the financial statements, I would like to take a look at the BMW Group’s capital expenditures.

Capital expenditure on property, plant and equipment and other intangible assets was up 6.9% to just under 2.8 billion euros due to the model change for the MINI and the resulting investments in the "UK production triangle," which consists of our production facilities in Oxford, Swindon and Hams Hall, as well as the production start for the new BMW X5 in Spartanburg, USA. Since both of these model changes took place in the last few months of the year, the common trend towards high levels of capital expenditure on property, plant and equipment in the fourth quarter was intensified in 2006.

As mentioned earlier, capitalized development costs rose to 1.5 billion euros last year, causing total capital expenditure to increase by 8.0% to 4.3 billion euros.
This is in line with the slight rise in the capital expenditure ratio. The ratio of capital expenditures to revenues advanced to 8.8%. We are therefore still roughly within the long-term average.

In the last two years, we carried out several major projects, above all to achieve progress in our efficient dynamics strategy. However, based on the latest product plans we announced, we continue to uphold our capex budget for 2005 to 2009. As mentioned at this meeting last year, we have earmarked 19 billion euros for investments in this five-year period.

**Cash Flow and Free Cash Flow**

Operating cash flow, i.e. cash flow from operating activities in the industrial business, amounted to 5.4 billion euros in the business year being reviewed. This represents a 13.1% decrease vis-à-vis the previous year.

The following factors had an effect on cash flows:
Cash flow from operating activities on group level was 6.7% lower year on year due to a rise in inventories, i.e. changes in net current assets. In this context, it is important for you to know that there was a substantial drop in net current assets in 2005. In the business year that just ended, we built up inventories for impending model launches.
Cash flow from investing activities was up due to the aforementioned production startups and further capital expenditures on technology projects. In addition, cash flow from investing activities in the previous year still included the positive effect from the last purchase price installment from the sale of Land Rover, which amounted to one billion euros. Net investments in Financial Services activities also recorded a significant increase, driven by the dynamic business trend.

Free cash flow in our industrial operations decreased to about one billion euros as a result of the aforementioned effects.
Ladies and Gentlemen,
I will be candid with you: We are not entirely satisfied with this figure. However, this still ranks us among the financially strongest companies in our industry. Let me just give you one more figure to substantiate this. In the industrial business, we have 5.4 billion euros in net interest-bearing assets.

We are sharpening our focus on the return on capital employed, the return on assets and managing free cash flow. The targets have been agreed on, and the systems have been introduced. We must continually enforce these standards throughout the company.

Share Buyback and Dividend

Now you may ask yourselves how we took advantage of our financial strength to benefit our shareholders.

In 2006, we spent a total of 253 million euros to purchase shares as part of the share buyback program we initiated in September 2005. Between September 2005 and February 2006, we purchased about 20.2 million common shares for 759 million euros, corresponding to 3% of our share capital.

In May 2006, the Annual General Meeting issued the Board of Management another authorization to conduct share buybacks accounting for up to 10% of our share capital. We will decide at a later point in time if and to what extent we will exercise this authorization to carry out further share buybacks.

We will propose to the Annual General Meeting in May 2007 that a further authorization to conduct share buybacks for another 18 months be issued.

Moreover, the Supervisory Board and the Board of Management will propose to the Annual General Meeting that the dividend for fiscal 2006 be increased significantly. We would like to raise the dividend by 9.4 % for common shares.
We will propose that the dividend be increased by 6 cents to 70 cents per common share and to 72 cents per preferred share. In consequence, the dividend payment will rise to 458 million euros.

In total, we will have spent more than 700 million euros on the share buyback and the dividend for 2006—to the benefit of our shareholders.

**Outlook for 2007**

Let us take a look at upcoming developments in 2007.

Based on the environment described in great detail in our annual report, we expect to continue our successful business performance.

In 2007, we will continue to be subjected to the negative external effects you have become familiar with. We believe that currency effects and persistently high raw material prices will be the main factors here.

**In the Automobile business**, we will aim to improve profit before tax via the positive retail trend we anticipate on the strength of model launches and continued measures to enhance efficiency. We expect to see a reduction in external burdens year on year.

We anticipate that the course for profitable growth charted in the **Motorcycle business** will continue, driven by positive effects from our market and product-related measures. Programs to improve efficiency will also contribute to this growth.

We have a positive outlook on the current fiscal year in the **Financial Services business** as well. We expect this segment to display a positive earnings trend, driven by growth in business volume and business fields as well as our continued efficiency-enhancement measures, despite the pressure on margins caused by rising money and capital market interest rates.

Excluding the effect of the exchangeable bond, we intend to generate a **Group profit** before tax exceeding last year’s level. The extent to which last year’s level
will be surpassed will depend on additional opportunities for improving the Group’s profit against the backdrop of persistently high burdens from currency effects, raw material prices, interest rates and fiercer competition.

Ladies and Gentlemen,

Thank you very much for your attention. My fellow board members and I look forward to answering your questions.