

BMW Group Corporate Communications

Media Information

14 March 2007

- Check against delivery -

Statement by Dr. Norbert Reithofer, Chairman of the Board of Management of BMW AG, Annual Accounts Press Conference Munich, 14 March 2007

Ladies and Gentlemen,

I am pleased to see that our company's development is of interest to you.
Welcome to our Annual Accounts Press Conference!

What has the BMW Group accomplished in the business year 2006?

1. We continue to be the world's leading premium manufacturer in the automotive industry.
2. We have reached our goals and, in some areas, have even exceeded them. The BMW Group has achieved new record results with regards to retail, revenues and earnings.
3. This makes 2006 the most successful year in our company's history so far.

Where is the BMW Group headed?

We aim to achieve a new record retail on Group level in 2007 as well as a financial result exceeding that of the previous year – adjusted for the book gain from the Rolls-Royce exchangeable bond.

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Ladies and Gentlemen,

Our goals for 2006 were very ambitious. We even achieved more than we expected, which shows our company's strength.

Please remember that we had to offset substantial external burdens again in 2006. This was due to unfavorable currency effects as well as high raw material prices.

Again, we managed to offset these additional burdens and to stay on course for our earnings target.

This has been possible because, on the one hand, we continue to raise sales consistently and to improve our product mix. This is a result of our ongoing product and market initiative.

On the other hand – and this is as important to me – we have highly efficient processes in place. We are continuously improving in all areas of the company. To this end, we are persistently putting our structures to the test.

You may know that, in the last few years, I put a strong emphasis on raising value creation within our international production network. Today, this network is highly flexible and efficient.

The same criteria are now being applied to the entire company.

Today I can state: The BMW Group's operational position is better than ever before.

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And we continue to work on the efficiency of our internal structures and processes. As we see it, agility is a crucial prerequisite for mastering current challenges.

Because that is exactly the road we are travelling on: Our highly efficient organization allows us to set ourselves ambitious goals – and to reach them. This strategy has served us well so far.

Our corporate success is represented by all our employees – by their day-to-day performance, their know-how and their outstanding passion for mobility.

This is true for our automotives and for our motorcycle business as well as for vehicle-related services. A variety of surveys has time and again ranked the BMW Group among the most popular employers.

Why is this so? I believe: Because we demand high performance and we support high performance and because we share our success with our employees. People enjoy working for us. They identify with the company and our products. This raises motivation and makes our company strong.

We will continue to build on this strength in the future. This is first of all true given the tremendous challenges that lie ahead. In a nutshell:

The automotive industry is facing a fundamental paradigm shift.

This is why today I am going to talk about the environment in which we as a premium manufacturer will be acting in the future. Which challenges will we face?

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We are well-prepared for the future – thanks to our ongoing product and market initiative as well as our strategy for efficient and sustainable power drive concepts, summarized under the term BMW EfficientDynamics.

I am also going to tell you how the BMW Group assumes its responsibility within our society.

But let me start with the report about the business year 2006 and an outlook on the group's goals for the current business year 2007.

Report about the business year 2006

I would like to begin with the previously announced key data for 2006:

- The group retail of automobiles has risen to more than 1.37 million vehicles – an increase of 3.5 percent over 2005. This means that we have grown more strongly than the total automotive market as well as the premium segment. BMW is the world's most successful premium brand. MINI remains without any doubt the most successful premium brand in the small car segment. And Rolls-Royce continues to be the number one in the ultra-luxury segment. I could also put our 2006 retail accomplishments in other words:

Never before have more customers put their trust in us.

- The same is true for our motorcycle business. In 2006, for the first time ever, over 100,000 customers have decided to buy one of our motorcycles. BMW Motorrad has thus been able to improve by 2.7 percent compared to the previous year.

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- Our financial services business again showed strong growth rates. The number of leasing and financing contracts with dealerships and end customers administered by the end of the year has risen to more than 2.2 million contracts. This is an increase of 8.8 percent over 2005.

Given the increase in retail and the continuous growth of financial services, revenues and earnings of the BMW Group developed as follows:

- Revenues rose by 5 percent to a new record of about 49 billion euros.
- Profit before tax also grew substantially. For the first time ever, we beat the magic mark of four billion Euros – 4.124 billion euros to be exact, thus exceeding our result target. We outdid last year's reference value by 25.5 percent. As you know, there were positive effects amounting to 372 million euros from the exchangeable note on shares in Rolls-Royce plc, London. But even excluding this book profit, the result increased compared to last year.
- Along with revenues and earnings, the annual net profit also reached a new record level of over 2.87 billion euros, 28.4 percent more than in 2005.

For this reason, the Board of Management and the Supervisory Board plan to propose a significant increase in the dividend at this year's AGM. The unappropriated profit available for distribution of 458 million euros is to be distributed to shareholders of common stock at 70 cents per share, resulting in a 9.4 percent dividend increase. Shareholders of preferred stock will receive a dividend of 72 cents per share, resulting in a 9.1 percent increase. This

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dividend payment reflects the excellent business development of this past year.

BMW stock also underscores the steady corporate development by showing a positive value development at low volatility. At the last trading day of the year 2006, BMW common stock was listed 17 percent higher than at the start of the year. In the same time period, BMW preferred stock increased by 34.3 percent.

Over the last ten years, BMW stock has risen by more than 150 percent, thus growing more strongly than the DAX.

At the end of the year 2006, the BMW Group employed a workforce of 106,575 people – 0.7 percent more than the year before. Following a strong increase in headcount between 2000 and 2005, we are now mostly balancing fluctuation. About 1,200 young people started professional training with our company last year.

Overall, the BMW Group employed over 4,300 apprentices at the end of 2006. This is how we assume our responsibility for future generations.

Outlook and goals for 2007

The successful year 2006 is the foundation or – in automotive terms – the well-paved road needed for accelerating in the new business year. These days, I would like to add: Obviously under consideration of an acceptable CO₂ emission level. But I will come to this point later.

You already know our 2007 retail target:

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- We expect a notable rise at BMW, MINI and Rolls-Royce to new retail records for all three brands.
- On a Group level, we intend to sell more than 1.4 million vehicles. This means that we aim to show a growth rate in the higher single-digit percentage range.

Over the course of the year, we will – so to speak – shift up a gear and gain more and more momentum. This means: Our 2007 retail development will be a mirror image of 2006. This year, we expect a moderate start, to be followed by strong increases mainly in the second half of the year.

Over the first two months of the year, retail volume has risen slightly compared with the previous year, by 1.6 percent to over 191,000 vehicles.

We are launching various new models a few days from now. They will be the prelude to an exciting model year.

But much more important than the number of new models is their technological standard. At the Geneva International Motor Show, the first few of our new models were received very positively. So we are confident that these vehicles are going to be popular with customers while at the same time setting new trends and standards – not only in terms of technical innovation, comfort and design, but also in terms of efficiency and thus lower fuel consumption.

The current new models of the BMW brand are:

- the new 3 Series Convertible, for the first time equipped with a retractable hardtop

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- the new X5, now also available in Europe and Asia
- the model update of the BMW 5 Series Sedan and Touring as well as the new M5 Touring
- the model update BMW 1 Series
- and, from May on, a completely new three-door variant of the BMW 1 Series.

With our BMW 1 Series, we are the only manufacturer that offers a premium rear-wheel drive vehicle in the compact class. This concept has worked very well. Between the launch in 2004 and the end of 2006, we sold more than 340,000 units of the five-door variant worldwide.

It is a proven fact that we have won new customers for the BMW brand. In Germany alone, seven out of ten 1 Series customers have not previously owned a BMW vehicle. Today, the 1 Series is the third most important BMW model range in terms of retail. This gives us very good reason to extend the model range. And I can assure you: There is still plenty of potential to tap beyond the new three-door variant.

As regards the BMW 3 Series – the “World Car of the Year” 2006 – we are completing the update of the model range by introducing the convertible. For the fifth time in our corporate history, we sold in 2006 more than half a million BMW 3 Series vehicles within one year.

The 3 and 1 Series combined account for over half of the BMW brand’s retail today. They are the brand’s backbone. And when you add the 5 Series, this makes three quarters of BMW retail.

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The reason why I am emphasizing this is because the high-performance product portfolio of German premium manufacturers is also a topic in the current CO2 debate.

The BMW brand's image of sporting flair and driving dynamics results from the large, high-performance vehicles such as the BMW 6 and 7 Series, the X5 and of course the M-models. Step by step, state-of-the-art technologies from these models are being applied to the entire model portfolio, thus becoming available to all our customers. This makes these vehicles so important for the BMW brand.

The product initiative is also continuing at MINI this year:

- The new MINI generation was launched in the US in February and is being made available to Japanese customers starting this March.
- The MINI Cooper D is the new diesel variant to complement the MINI family. It sets new standards concerning fuel consumption and CO2 emissions: 4.4 liters of fuel for 100 kilometers and 118 grams of CO2 per kilometer.
- In addition, there will be a new member of the MINI family – the MINI Clubman.

So what is the importance of the just mentioned new BMW and MINI models for this year's retail volume?

From the first to the second quarter alone, we expect retail to increase by an additional 50,000-plus units – thanks to these new models.

At the same time, these new models show that we have thought ahead. Development cycles are relatively long in our industry. The vehicles we are

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launching today meet tomorrow's demands on efficiency and climate protection, thus setting new standards in their respective classes. Given that, the new models really give us a competitive edge.

So you see: We have been working on efficient and environmentally-friendly vehicles for many years. And we have implemented this approach in our strategy early on.

Apart from these models, there will be further product innovations this year.

A specific example from Rolls-Royce: the Phantom Drophead Coupe. The scheduled 2007 production volume for this convertible has already been completely pre-ordered. As you know, we will also launch another new model below the Phantom in the next few years.

And at BMW Motorrad, the model initiative is also running at full steam this year. At present, five new models are being introduced. More are due to follow over the course of the year.

Our retail growth is the foundation of our financial performance in the business year 2007. In this regard, our goal is as follows:

Adjusted for the book gain from the Rolls-Royce exchangeable bond, we aim to exceed the 2006 record pre-tax result.

To what extent we will be able to improve our performance compared with the previous year will strongly depend on the impact of currency effects, raw material prices, the development of interest rates and the competitive environment. However, we expect additional burdens from external factors to be lower than in 2006.

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BMW Group is well prepared for future challenges

Ladies and Gentlemen,

The BMW Group's business activities do not focus on short-term profit maximization.

We follow a long-term strategy with profitable growth being our top priority.

This strategy guarantees business continuity and our employees' jobs. After all, 2006 marked the 90th year of existence for our company.

And we intend to continuously increase the value of our company. This is what our Board of Management team stands for.

We are well aware of the complexity of the tasks ahead. In our strategic process, we have consistently and comprehensively analyzed both our business environment and our own future strategic direction.

The implementation of initial solutions is going to begin as early as this year. And I can already tell you at this point that all strategic options are going to concentrate on the BMW Group's profitable growth.

Which answers does the BMW Group provide concerning the challenges of the future?

We are further advancing our company's internationalization by entering new growth markets. Let me give you two examples here:

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- In late March, our assembly plant in India is going to start production. Our sales subsidiary in Delhi has already started operations at the beginning of the year.
- In our second-largest MINI retail market, the UK, we have further expanded our MINI production network.

We are going to continue our successful product initiative by launching new products. One of the two new model ranges announced for 2008 and beyond will be produced at our American Plant Spartanburg. The model in question is the X6.

By continuing our product and market initiative, we fulfill our long-term responsibility towards all stakeholders.

Ladies and Gentlemen,

Our customers are at the core of all our efforts.

They identify with our products and brands in a unique way. Each customer deliberately decides to buy a BMW, a MINI, a Rolls-Royce or a BMW motorcycle. And most customers stay loyal to our brands.

- As the leading premium manufacturer and due to the strong and emotional customer loyalty, we have highest demands on quality.
- We offer customers top-class vehicles and motorcycles that are among the best as far as quality is concerned.

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- For the benefit of our customers, we also promote technological advances. Our innovations provide our customers with a continuous increase in “sheer driving pleasure” through state-of-the-art safety and comfort features. Because for our customers, their automobile is more than a means of transportation.
- This is why we meet our customers’ desire for a vehicle that meets their individual requests and requirements. Throughout the last years in particular, we have developed several new vehicle concepts.
- But our responsibility for the customer does not end here. It also includes a sustainable business development.

We want to continue to offer our customers individual mobility in premium vehicles in the future. This will only work if our natural environment does not suffer. Therefore, we have a fundamental and vital interest in protecting the environment and in saving natural resources. It cannot be overlooked any longer that the global climate is changing. This is why all of us have to do more for the environment and climate protection in the future.

We as the BMW Group have already accomplished a lot:

Between 1990 and 2005, we reduced BMW fleet consumption in Germany by almost 30 percent.

This reduction in fuel consumption has to be appreciated and valued even more since new safety standards like airbags and side-impact-protection as well as legal requirements on after-treatment of exhaust gases have increased consumption over the years.

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In other words: Our vehicles have become safer and cleaner while at the same time guaranteeing higher performance and lower fuel consumption. I would call that progress.

Just three examples:

- The new BMW 118i consumes 5.9 liters of fuel per 100 km. Its predecessor from the model year 2004 still used 7.3 liters. This is a decrease of 20 percent, reached over a very short time period. The new 118d needs 4.7 liters of diesel per 100 km.
- The current BMW 320i uses 23 percent less fuel than the 1983 model. This has been achieved despite a 20 percent increase in performance and an additional 300 kilograms in weight.
- Consumption of the new 525i has been lowered by 33 percent compared to its 1982 predecessor – again despite the fact that its performance has increased by 45 percent and its weight by 16 percent.

These reductions in fuel consumption have been achieved thanks to our EfficientDynamics strategy.

This strategy combines various innovations with different timeframes but one common goal: Lower fuel consumption and CO₂ emissions at higher performance and driving dynamics. So “sheer driving pleasure” actually makes protecting the environment a pleasure.

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- At present, the optimization of our engine technology plays a key role – as the examples have shown. There is good reason why we are called “Bayerische Motoren Werke”.
Since 2001, we have introduced the fully-variable valve control Valvetronic in the vast majority of new BMW petrol engine families, thus considerably lowering fuel consumption. At MINI, the second generation has completely new and highly economic engines. These engines are developed in cooperation with PSA.
For BMW, we are about to launch new four-cylinder petrol engines with direct injection and lean-burn mode as well as new high-end diesel engines. They will first be available for the new BMW 1 and 5 Series vehicles. In combination with other measures, these engines are going to lower fuel consumption – depending on the model – by up to 20 percent. This is major progress.
- EfficientDynamics furthermore comprises an intelligent energy management. This includes the regeneration of brake energy, light-weight construction, aerodynamics as well as the automatic start/stop function.
Contrary to other manufacturers, we are going to introduce over time these measures throughout the entire fleet. Only this guarantees a broad effect.
- In the medium term, hybrid with all its aspects will be another element of EfficientDynamics. As we see it, hybrid technology is one interesting possibility for raising the efficiency of traditional powertrains. This is why we are currently working on developing a typical BMW solution as an “add-on” for our combustion engines. To this end, we have established a new cooperation with DaimlerChrysler. Series maturity is expected from 2009 on.

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- As regards fuel consumption and CO₂ emissions, an efficient BMW diesel vehicle can definitely bear comparison with a comparable hybrid vehicle. It is well known in our industry that BMW is a global pioneer in the development of efficient and economic diesel engines: In 2006, 40 percent of all BMW vehicles delivered to customers around the world were equipped with an efficient diesel engine.
There are even markets in Europe where 90 percent of all BMW vehicles sold are diesels.
- For the long term, we consider hydrogen in the combustion engine the most sustainable solution. With the BMW Hydrogen 7, we already demonstrate today that driving without fossil fuels and emissions can be done. We have received a lot of praise for this vehicle, mainly internationally. It is a matter of course that we still have a long way to go. An efficient infrastructure and the regenerative production of hydrogen are the keywords here. But every journey starts with the first step.

BMW EfficientDynamics is a unique package of innovations that sets new standards in our industry. And the variety of approaches shows: Just like in any other industry, there is not one and only one solution here.

We will persistently continue along this course. I am absolutely convinced:

Climate protection and “sheer driving pleasure” can fit extremely well together. With EfficientDynamics, we have revolutionized “sheer driving pleasure”.

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To this end, we are about to launch a variety of models that emit less than 140 grams of CO₂ per kilometer. By the end of the year, there will be a wide range of vehicles available – from the MINI Cooper Diesel to the BMW 520d.

Customers will continue to have very different demands and tastes regarding vehicles. So we need to maintain the variety of vehicles on our streets in the future.

So mid-sized and luxury vehicles must not be compared with small and micro cars concerning their CO₂ emissions.

We call for different CO₂ emission limits for different vehicle classes and sizes. Anything else is not physically possible and is not economically sound.

The target limit of 130 grams of CO₂ per kilometer from 2012 on means that, in the future, the average fuel consumption of cars in Europe will be below 5.3 liters per 100 kilometers.

In order to meet this goal, all vehicles have to make a contribution – also the smaller ones. Due to their considerably higher market share, the ecological impact is clearly greatest in the mid-size and small car segments.

When it comes to the traffic sector in general, the only reasonable way to reach the goal is applying an integrated approach.

It is vital to include bio-fuels and traffic infrastructure in order to tap the reduction potentials of the entire passenger car fleet and not only that of new cars. After all, we are talking about around 220 million passenger cars in the EU here.

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We will continue to make our contribution. But: Climate protection is a joint effort! No one can solve such a task alone.

The BMW Group assumes responsibility and acts in a future-oriented way

As the leading premium manufacturer, we accept responsibility in many areas. And that is exactly what we do. Environmental protection is one part of it – but a part that comprises much more than our vehicles' CO2 emissions.

Let me give you an example here: Over the last ten years, we have reduced our company's energy consumption by more than 26 percent, CO2 emissions by about 24 percent.

But acting responsibly also means assuming responsibility for our more than 100,000 employees and their families, for our suppliers and our sales subsidiaries all over the world. So all in all, we assume responsibility for several hundred thousand people.

We save resources at all our 23 production locations worldwide, and we act as a good corporate citizen.

Social responsibility is an important element in our long-term strategy. We know from experience: Social commitment pays off.

And while social responsibility cannot be found on the balance sheet or the income statement, it is nevertheless a determining factor in establishing the value of a company such as the BMW Group.

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As far as corporate sustainability is concerned, the BMW Group was again ranked as best automobile company in the Dow Jones Sustainability Rating in 2006. We are the only company in our sector to be listed in this key sustainable investment index family.

A healthy company is an economically successful one. And: it assumes social responsibility for customers and all the other stakeholders alike, but also for the environment. In the end, this helps enhance a company's viability.

We will strive to increase our company's value further, thus guaranteeing our business success and profitability into the future. Thank you for your attention!