

# **BMW Group**

## **Financial Analysts' Meeting 2007**

**March 15, 2007**

**Stefan Krause**

**Member of the Board of Management of BMW AG,  
Finance**

**BMW Group**

Rolls-Royce  
Motor Cars Limited



# **BMW Group.**

## **Overview of 2006.**

- Group profit before tax rose by 25.5% despite external adverse factors.
- Profit before tax €4,124 million.
- Excluding the effect of the valuation of the Rolls-Royce exchangeable bond, Group profit before tax was up 3.0%.
- Net profit €2,874 million.
- Earnings per common share was €4.38,  
Earnings per preferred share was €4.40.

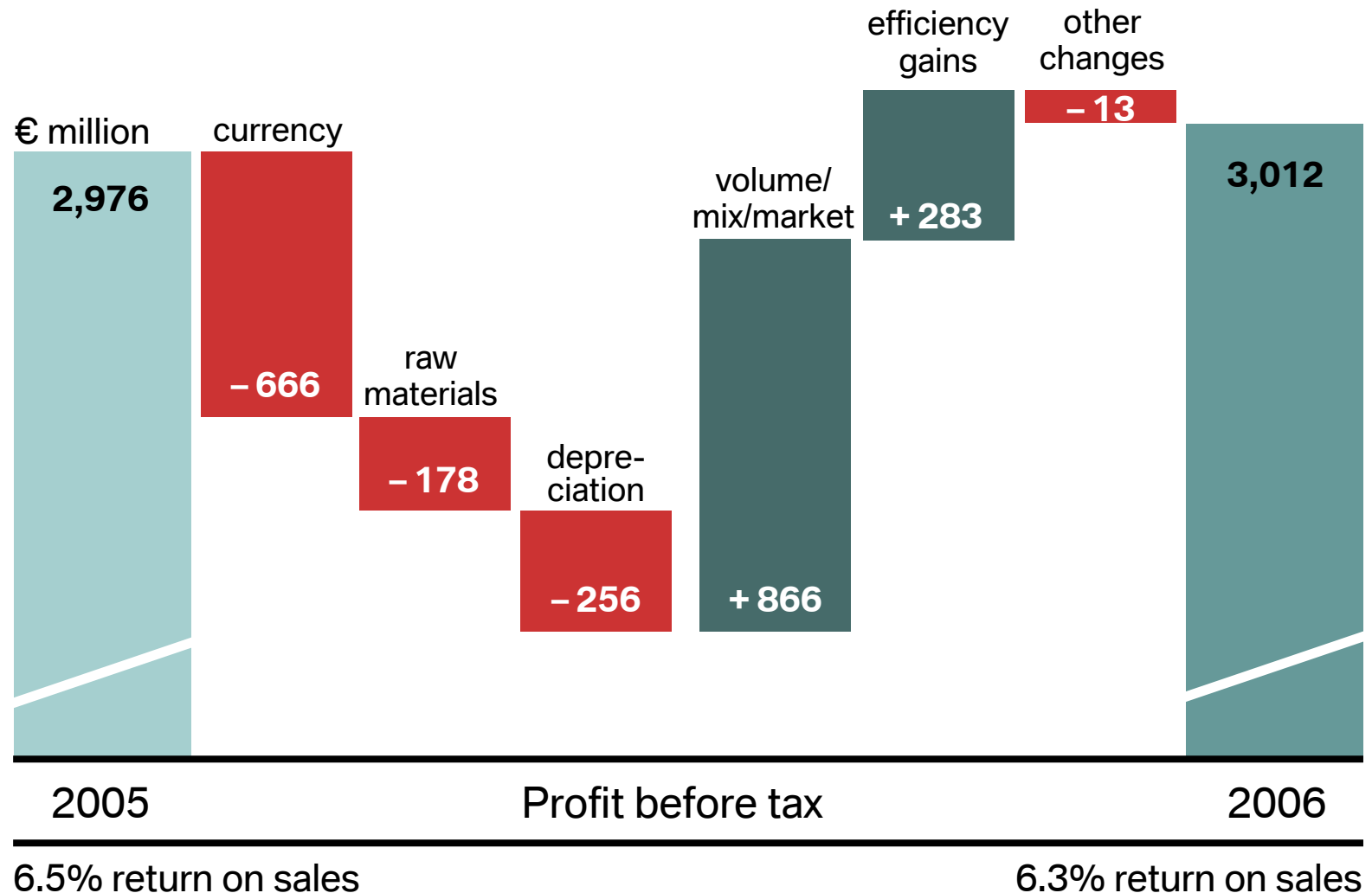
# BMW Group.

## 2006 Revenues by Segment.

€ million	2006	2005	Change in %
Automobile	47,767	45,861	+ 4.2
Motorcycle	1,265	1,223	+ 3.4
Financial Services	11,079	9,408	+ 17.8
Reconciliations	– 11,112	– 9,836	– 13.0
<b>BMW Group</b>	<b>48,999</b>	<b>46,656</b>	<b>+ 5.0</b>

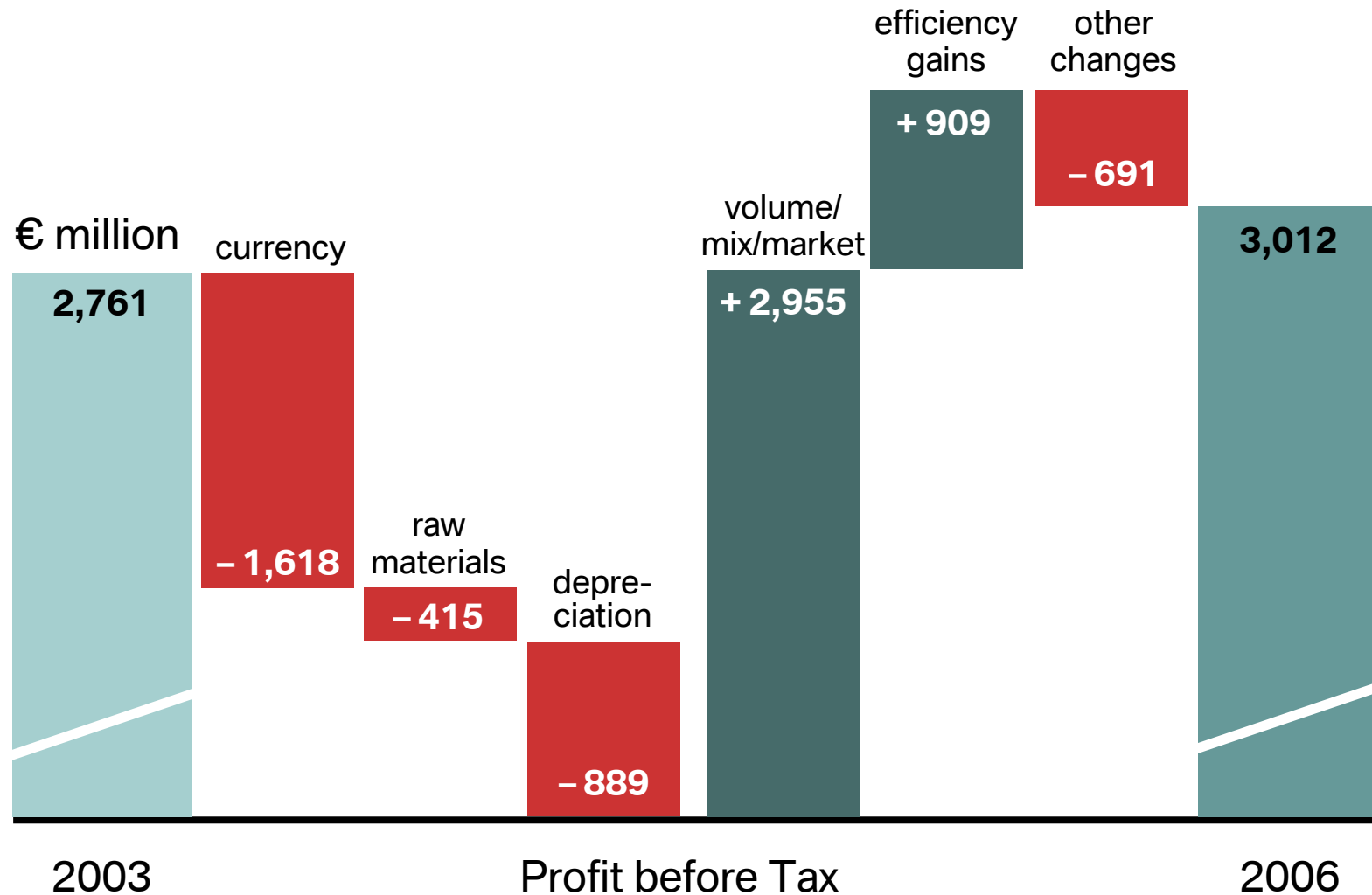
# BMW Group.

## Effects on Automobile Profit.



# BMW Group.

## Effects on Automobile Profit (2003 – 2006).



# **BMW Group.**

## **Motorcycle Segment – Business Performance.**

- Profit before tax up 10% to €66 million.
- More than 100,000 motorcycles sold in one year for the first time.
- Return on sales rises to 5.2%.



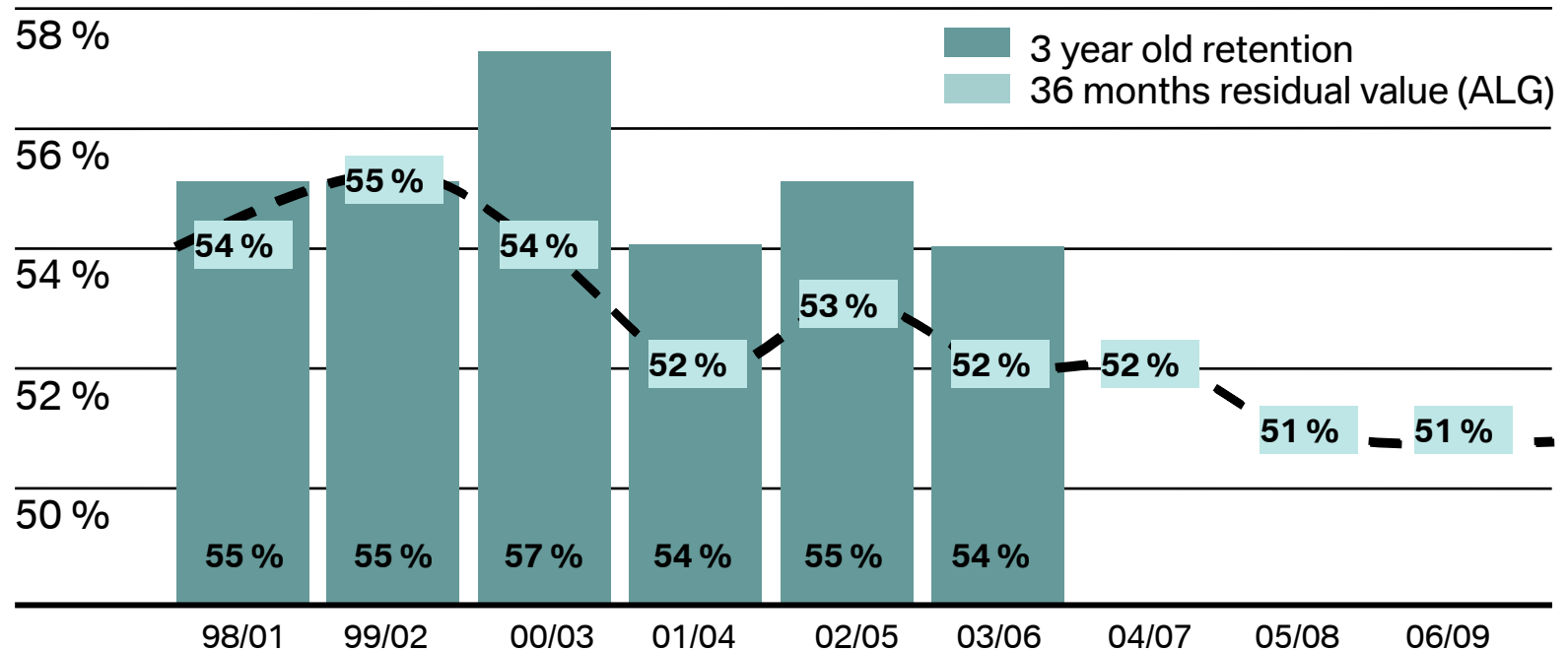
# **BMW Group.**

## **Financial Services Segment – Business Performance.**

- Business volume in balance sheet terms rises 8.9% to over €44 billion.
- Number of customer contracts advances 8.8% to nearly 2.3 million.
- Penetration rate up 1.3 percentage points to 42.4%.
- Encouraging development in the fleet business, dealer financing and other business activities continued.
- Profit jumps 13.2% to €685 million.
- Successful risk management.

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## Financial Services Segment: Resale Value Development in the USA.



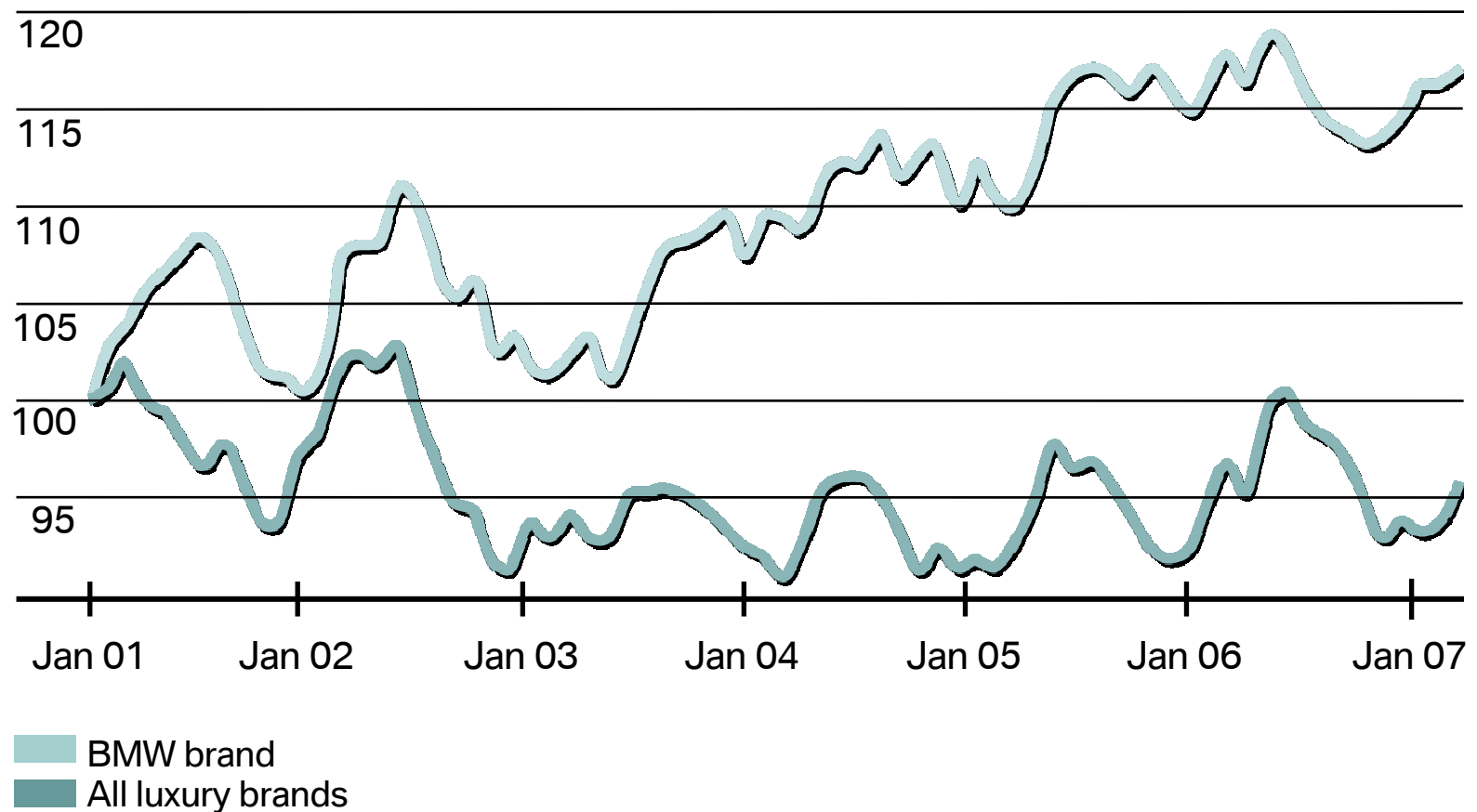
BMW received The Automotive Leasing Guide (ALG) Residual Value Award in 2004, 2005 and 2006 for “the highest predicted resale value of any luxury brand”.

BMW was named “Best Brand” in Kelley Blue Book’s 2005 and 2006 “Best Resale Value Awards”.

# BMW Group.

## Financial Services Segment: Resale Value Development in the USA.

### BMW brand vs. all luxury brands



Source: Manheim Used Vehicle Value Index, mix and mileage adjusted

# **BMW Group.**

## **Segment Reconciliations.**

- Profit before tax €361 million (FY05: - €354 million).
- €386 million positive effect from the conversion of the lion's share of the Rolls-Royce exchangeable bond.
- Significant change on balance primarily due to effects related to the exchangeable bond.

# BMW Group.

## Gross Profit.

€ million	2006	%	2005	%	Change in %
Revenues	48,999	100.0	46,656	100.0	+ 5.0
Cost of sales	-37,660	76.9	-35,992	77.1	- 4.6
Gross profit	11,339	23.1	10,664	22.9	+ 6.3

# BMW Group.

## Profit Before Financial Result.

€ million	2006	%	2005	%	Change in %
Gross profit	11,339	23.1	10,664	22.9	+ 6.3
Sales & administrative costs	– 4,972	10.1	– 4,762	10.2	– 4.4
Research & development costs	– 2,544	5.2	– 2,464	5.3	– 3.2
Other operating income and expenses	+ 227	0.5	+ 355	0.7	– 36.1
Profit before financial result (EBIT)	4,050	8.3	3,793	8.1	+ 6.8

# BMW Group.

## Research and Development Costs.

€ million	2006	2005	Change in %
R&D costs (income statement)	2,544	2,464	+ 3.2
R&D costs share of revenues	5.2%	5.3%	
Depreciation	– 872	– 745	– 17.0
Capitalization of development costs	+ 1,536	+ 1,396	+ 10.0
Total R&D expenditure	3,208	3,115	+ 3.0
Total R&D share of revenues	6.5%	6.7%	
Capitalization ratio	47.9%	44.8%	

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# BMW Group.

## Financial Result and Profit Before Tax.

€ million	2006	%	2005	%	Change in %
Profit before financial result	4,050	8.3	3,793	8.1	+ 6.8
Financial result	74	0.2	– 506	1.1	-
thereof:					
▶ Result from equity method accounting	– 25		14		
▶ Result on investments	32		28		
▶ Net interest result	– 283		– 242		
▶ Other financial result	350		– 306		
Profit before tax	4,124	8.4	3,287	7.0	25.5

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## Net profit.

€ million	2006	%	2005	%	Change in %
Profit before tax	4,124	8.4	3,287	7.0	25.5
Income taxes	– 1,250	2.5	– 1,048	2.2	– 19.3
Net profit	2,874	5.9	2,239	4.8	28.4
Tax rate	30.3%		31.9%		

# BMW Group.

## Value Orientation.

Rolls-Royce  
Motor Cars Limited



### Group: Return on Assets



#### **Automobiles:**

Return on Capital  
Employed

#### **Vehicle projects:**

Model return based on  
DCF



#### **Motorcycles:**

Return on Capital  
Employed

#### **Vehicle projects:**

Model return based on  
DCF



#### **Financial Services:**

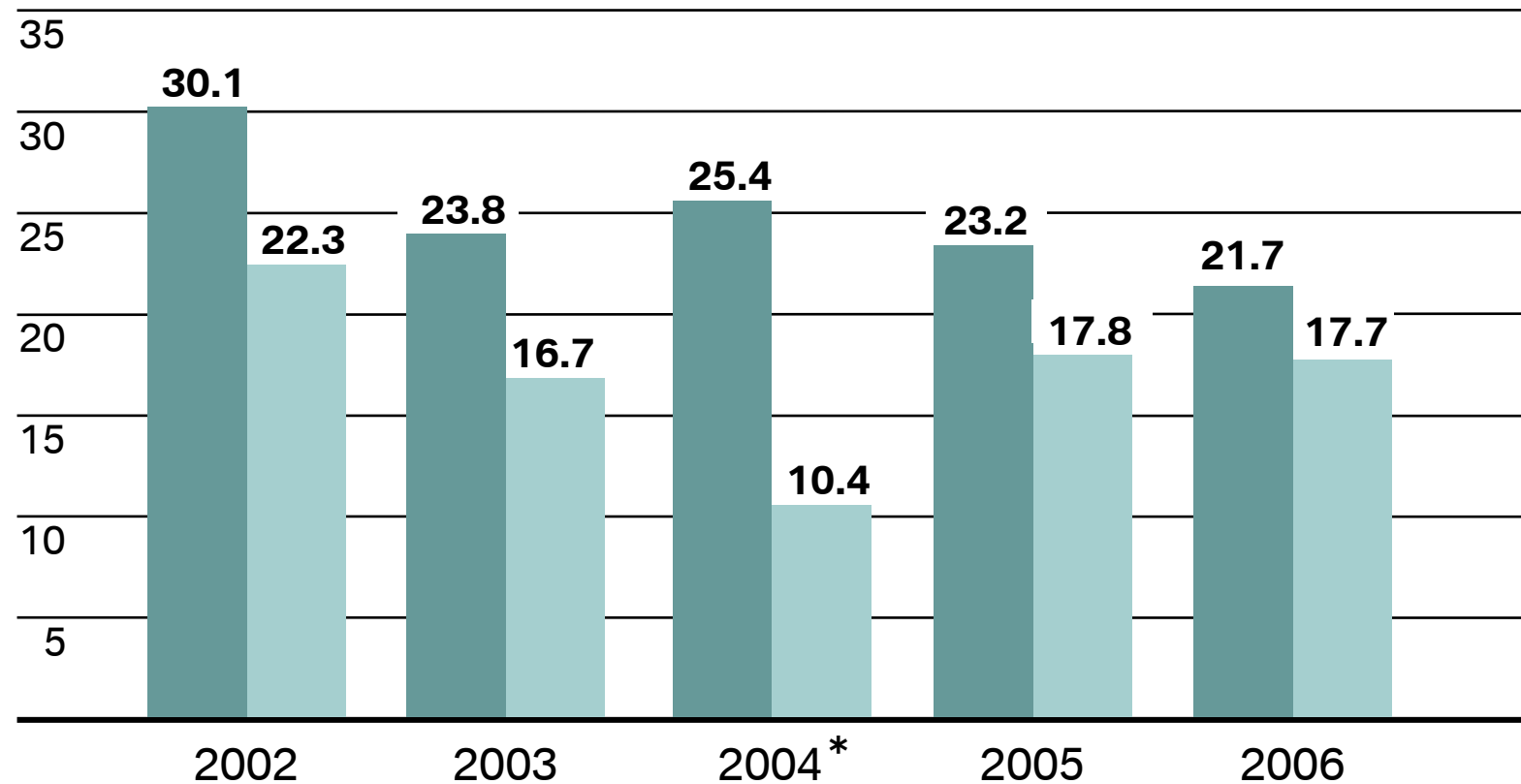
Return on Assets

#### **Financing & lease portfolio:**

Cash flows

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## Return on Capital Employed in the Automobile and Motorcycle Segments.



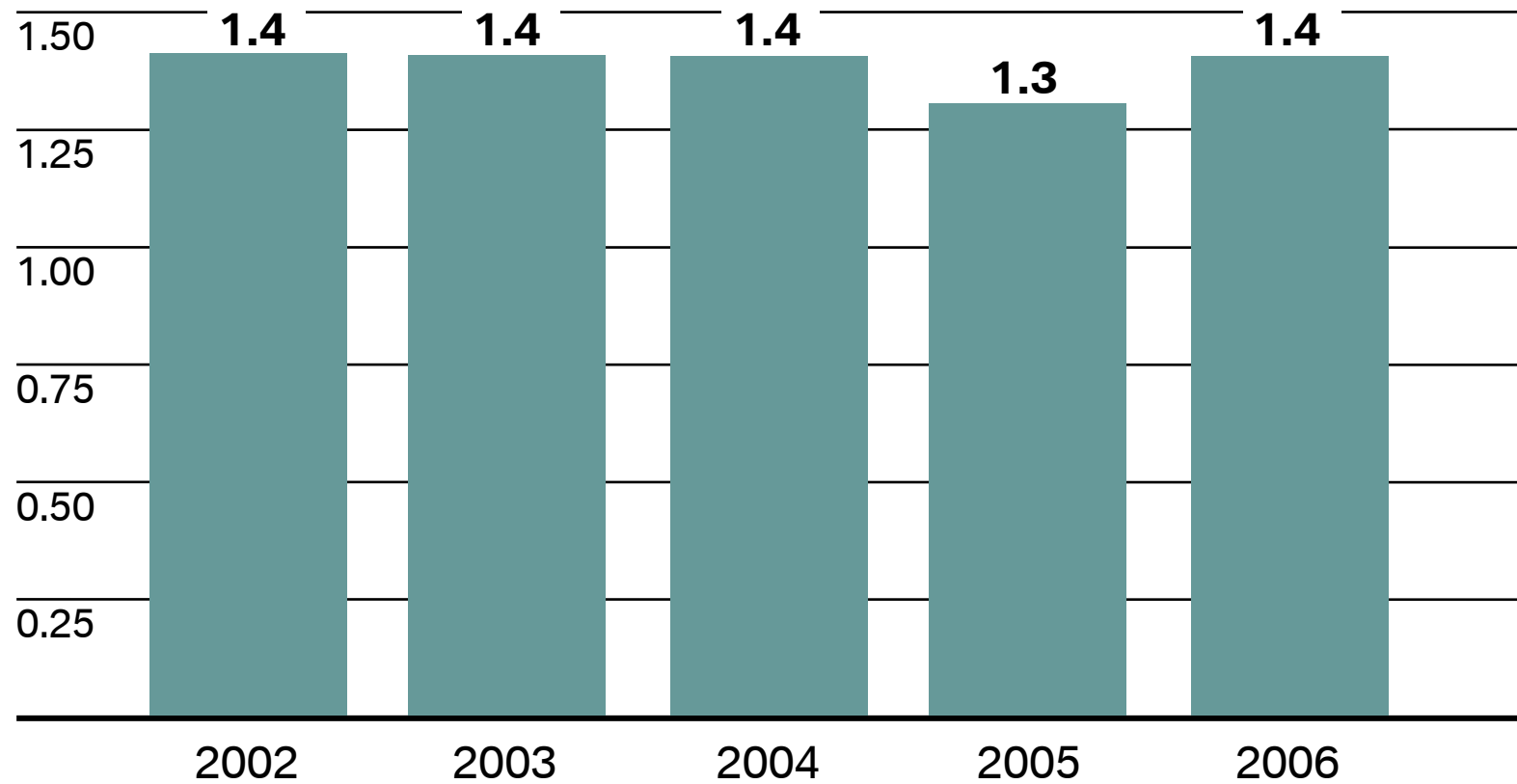
Automobiles  
Motorcycles

\*2004: Restated to account for the change in the recognition of pension obligations

# **BMW Group.**

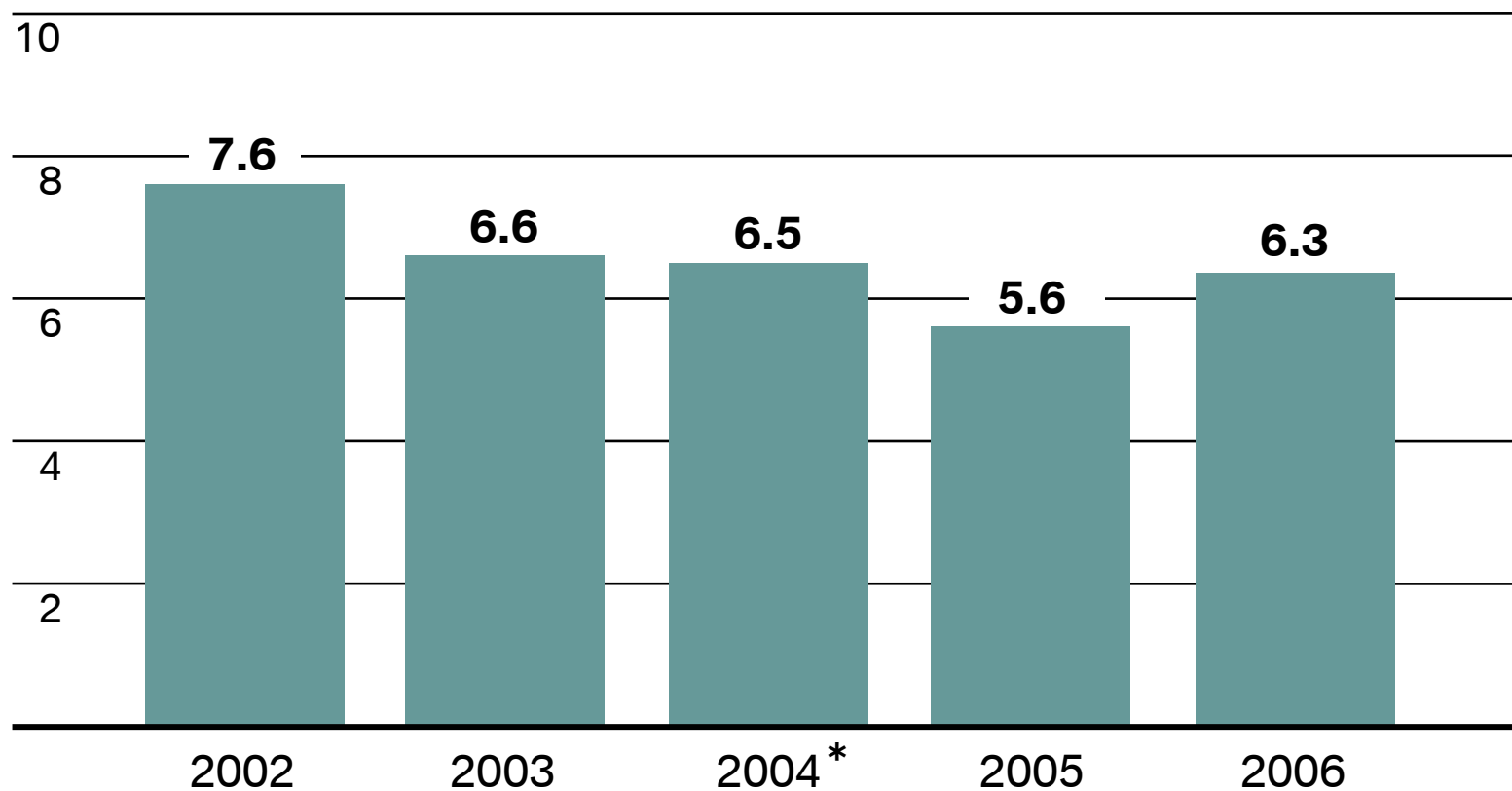
## **Return on Assets**

### **in the Financial Services Segment.**



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## Return on Assets on Group level.

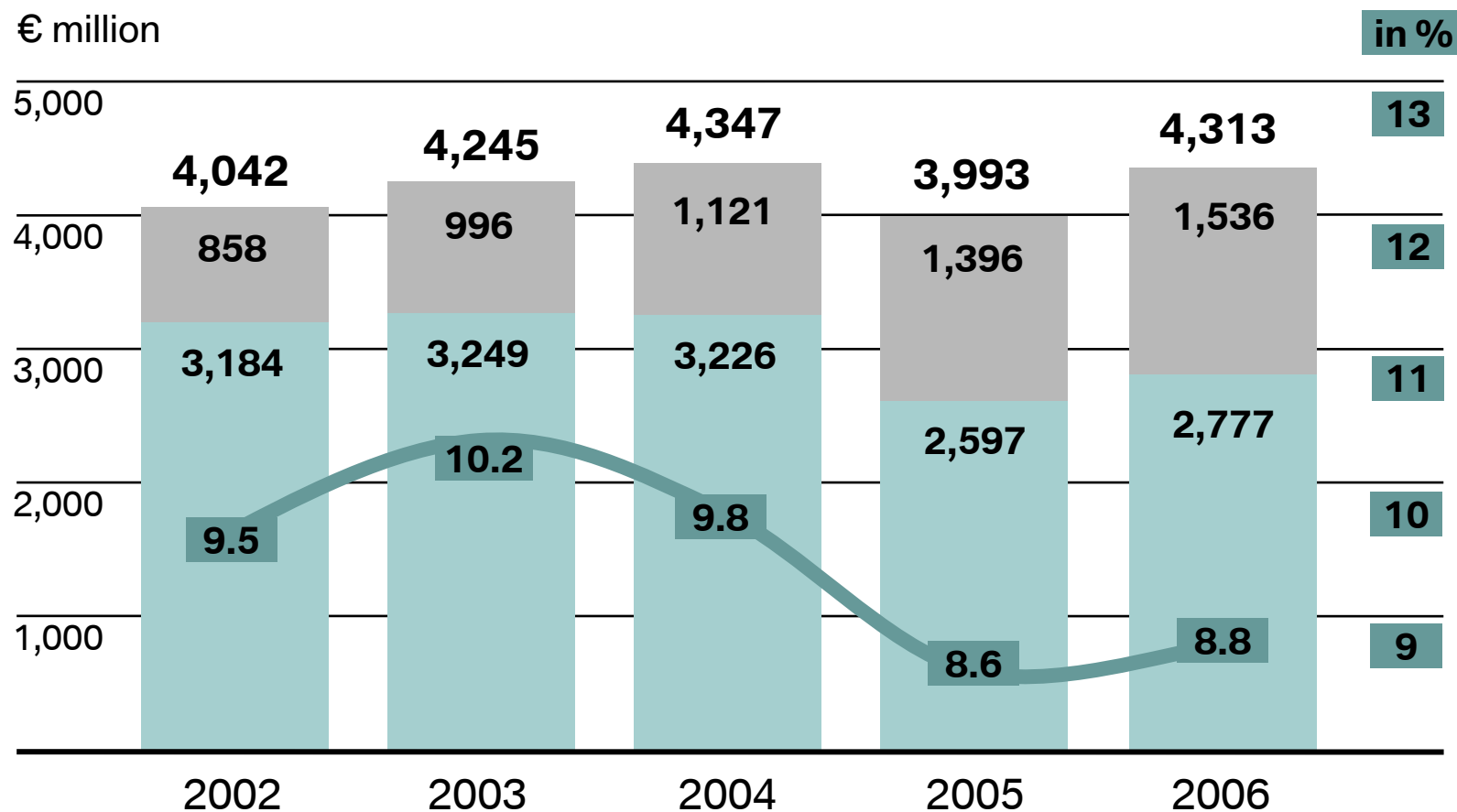


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## Capital Expenditure.

€ million

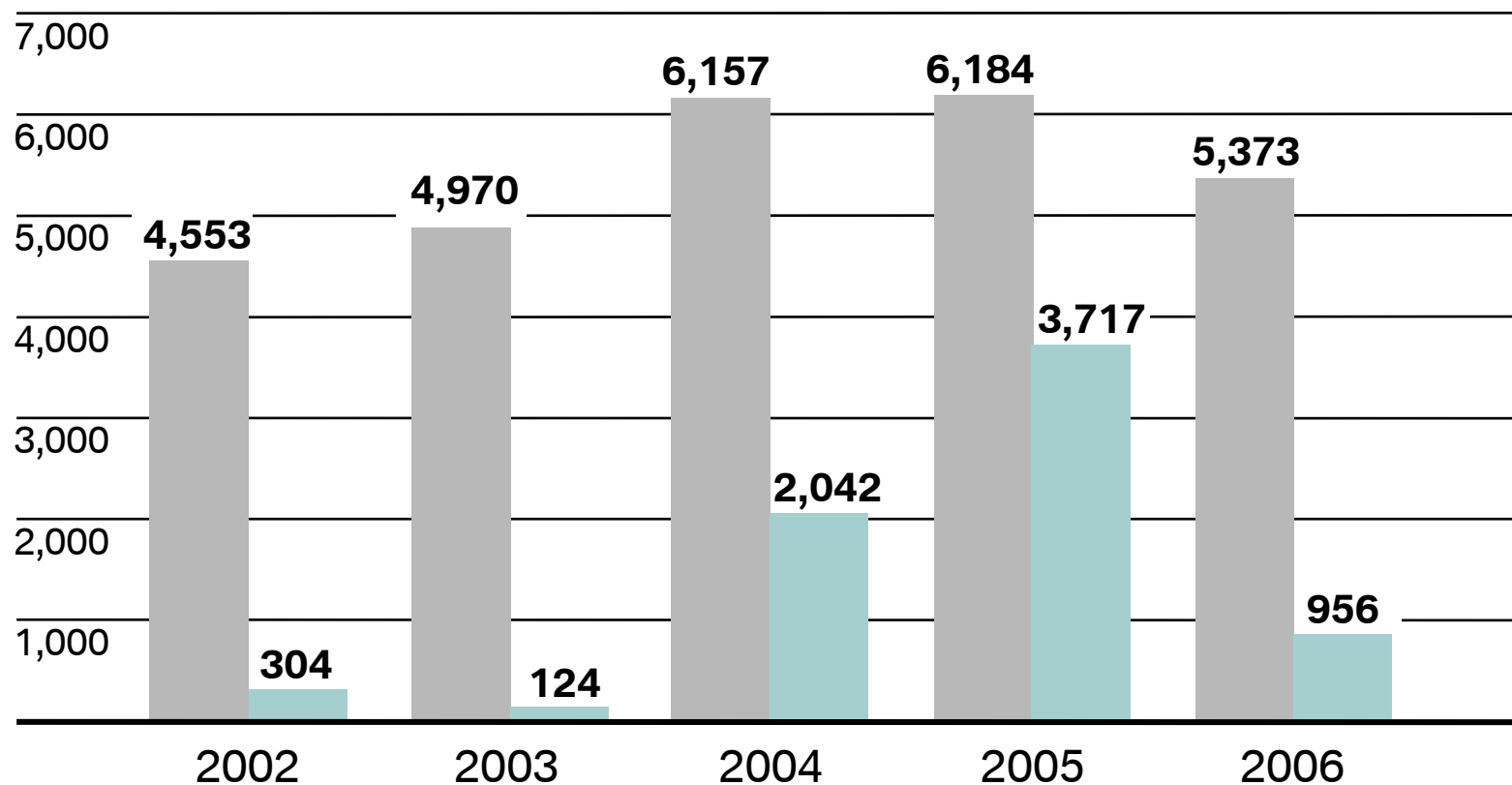


- Capitalised development costs
- Capital expenditure on property, plant and equipment and on other intangible assets
- Capex ratio

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## Cash Flow and Free Cash Flow.

€ million



■ Cash inflow from operating activities  
■ Free cash flow

Net interest bearing assets –  
industrial operations in 2006:  
€5,385 million (FY05: €4,877 million)

# **BMW Group.**

## **Share Buyback and Dividend.**

- Expenses associated with the **share buyback in 2006:** €253 million.
- **Another authorisation** to conduct share buybacks will be proposed to the 2007 Annual General Meeting.
- **Dividend increases** by 6 cents to 70 cents per common share and 72 cents per preferred share, respectively.
- The **dividend payment** rises to €458 million.
- **Total payment** (dividend + buy back) to shareholders for 2006: €711 million.

# BMW Group.

## Outlook for 2007.

- **Currency effects** and persistently high **raw material prices** will have a negative impact on profits in 2007 as well.
- In the **automobile business**, we aim to improve the profit before tax on the strength of a positive development of retail and efficiency enhancements.
- We will continue the course for profitable growth in the **motorcycle business**.
- The profit earned by the **Financial Services** segment will display positive development despite rising money and capital market interest rates.
- Our goal is to achieve **Group profit before tax above that of 2006** without taking into account the effect of the exchangeable bond.

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