

BMW Group Corporate Communications

Media Information

15 May 2007

- Check against delivery -

Statement by Dr. Norbert Reithofer Chairman of the Board of Management of BMW AG 87th Annual General Meeting of BMW AG Munich, 15 May 2007, 10:00 a.m.

Dear Shareholders and Shareholder's Representatives,

Dear Associates,

Dear Guests of Honor,

Ladies and Gentlemen,

Welcome to the 87th Annual General Meeting of BMW AG here at the Olympic Hall in Munich. Welcome also to all the participants following this event via internet.

On September 1, I succeeded Dr. Panke as the head of this company – a company that is in great shape. Twenty years after joining the BMW Group, I am now looking forward to leading this strong and unique company into the future, together with my colleagues on the board of management!

You are our shareholders, our investors. We will make sure that your commitment pays off.

What distinguishes the BMW Group?

- It is a company that is the number one in its industry – as the leading manufacturer of premium vehicles.
 - At the same time, the BMW Group is a company that owns three globally known and authentic premium brands BMW, MINI and Rolls-Royce. Products that stir emotions and that are thus vastly popular with customers.
- BMW is the most valuable German brand.

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In Europe, it ranks second among all brands, worldwide we are the number 14. The BMW Group ranks far ahead of all other German brands. This is the result of a current study carried out by marketing research group Millward Brown and the Financial Times. According to this study, BMW's brand value amounts to over 25 billion dollars. For you, our shareholders, our brands hold value.

- The BMW Group is a company that has been expanding its presence on the global markets strategically with its product and market initiative, initiated in 2001. At the end of the year 2000, we had 24 sales subsidiaries. By the end of 2006, this number grew to 37. At the same time, we are targeting new customer groups with our trendsetting products. A 67 per cent increase in retail volume over the last six years and a 34 per cent increase in motorcycle retail over the same time period speak for themselves.
- The BMW Group is a company that follows a long-term growth strategy. Our goal is never a flash in the pan that burns bright for a short while and dies fast. We do not strive for maximizing profits as quickly as possible. We go our own way, in a straightforward, typical BMW manner. Over the last 30 years, our pre-tax profits have risen by more than 10 per cent a year on average.
- The BMW Group is a company that raises efficiency in all areas. This helps us to offset to a large extent the external effects arising from increasing raw material prices or currency fluctuations. We do not carry around unnecessary weight. We completely concentrate our efforts on generating profitable growth.
- The BMW Group is a company that puts the customer at the center of all activities.

The customer alone decides what is success or failure. The customer signs a sales contract – or doesn't.

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- The BMW Group is a company that takes into account the best interest of its shareholders as well as that of all other stakeholders.
- At the same time, the BMW Group is a company that assures a successful future by means of technological expertise and innovative strength. With new technologies, we meet the requirements of future mobility.
- And finally, the BMW Group is a company that is deep-rooted in society. We deliberately assume active responsibility at all locations and in all markets. This also applies to our associates and their families. For us, economic success and responsibility go hand-in-hand.

For all these reasons, your company, dear Shareholders, is a very special one. This is why the BMW Group will continue to be successful in the future. And it will remain a profitable investment for you.

Review 2006

What did we accomplish in the business year 2006?

- 2006 was the most successful year so far in the BMW Group's 90-year history.
- We achieved new records as regards retail, revenues and earnings.

All three business segments contributed to this success:

1. Our automotive business:

More customers than ever before put their confidence in us. They decided to buy a BMW, MINI or Rolls-Royce. All in all, this amounts to more than 1.37 million vehicles, 3.5 per cent more than in 2005. At the same time, it is a new retail record for the BMW Group.

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All our three premium brands continue to be the market leaders in their respective competitive environment:

- BMW is the world's most successful premium brand – ahead of Mercedes-Benz, Audi and Lexus.
- MINI clearly remains the most successful premium brand in the small car segment.
- And Rolls-Royce is the undisputed number one in the ultra-luxury segment.

2. Our motorcycle business:

For the first time ever, more than 100,000 motorcycles a year have been delivered to customers in 2006. This is an increase of 2.7 per cent compared to the previous year, achieved within the heterogeneous environment of the world's motorcycle markets.

3. Our financial services:

Our financial services business has grown again as well. The number of administered leasing and financing contracts rose to over 2.2 million. This is an increase of 8.8 per cent over 2005.

Given the development of all three business segments, we were also able to show new records for group revenues and earnings:

- Revenues rose by 5 per cent to a new record of about 49 billion Euros.

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- The group pre-tax profit exceeded our target. For the first time, we beat the magic mark of four billion Euros, achieving exactly 4.124 billion. We managed this thanks to a strong impetus. This result includes a one-off book gain of 372 million Euros arising from the exchangeable bond in shares of Rolls-Royce plc. However, I would like to emphasize: Even without this effect, we increased earnings by three per cent.
- At more than 2.87 billion Euros, our after-tax profit also reached a new record level – 28.4 per cent over the previous year's reference value.

So, taking stock of the business year 2006, I can state:

We met and – to some extent – even exceeded our targets.

These accomplishments were achieved in an extremely competitive automotive market and despite additional burdens:

- Raw materials such as steel and noble metals, which we need for example for emission control systems, are still very expensive.
- The weak dollar and the undervalued yen also have a negative effect on our result – exactly because we are so successful in the USA and in Japan. In our biggest single market, the US, for example, we sell considerably more vehicles than we produce there. This cash inflow has to be converted into Euros. At the end of 2006, for instance, the US dollar had eased by another 12 per cent compared to the beginning of the year.

Overall, additional burdens in 2006 – just like in the previous year – have amounted to over one billion Euros.

That, Ladies and Gentlemen, is quite a burden to shoulder.

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We have accepted this challenge and have closed the gap. And more than that, we have taken our result to a new record level.

We are high-performers.

- We have the potential to grow further in terms of retail.
- We have the potential to raise our efficiency further.
- And we have associates who are highly motivated to implement this potential.

Effectiveness and efficiency are key strengths of the BMW Group.

As the Head of Production, I used to work persistently on improving value creation within our international production network. As the Chairman of the Board, I am now going to implement this approach throughout the entire company.

Why is efficiency so important to me?

- First – because it promotes our company's growth.
- Second – because the considerate use of resources is in our genes. This is also what our BMW EfficientDynamics strategy shows. It is reflected by both our corporate culture and our products, and definitely not to the disadvantage of their quality – on the contrary:
In the latest ADAC breakdown statistics, the current BMW and MINI models achieved excellent results, including two category victories as well as another four top-three positions in the respective segments. This is evidence of our vehicle's high quality and reliability in all vehicle classes.
- Third – because only an efficient company is agile and productive and can master the challenges faced by the BMW Group. High efficiency provides us with sufficient leeway.

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All our executives will be measured how they achieve their efficiency targets.

This approach pays off. Over the last three years alone, we have thus saved over 900 million Euros. And we are proud to say that this is not the result of a painful reorganization program, but of a continuous and effective process.

Ladies and Gentlemen,

Against the background of the very successful development in the year 2006, the Board of Management and the Supervisory Board are again proposing a considerably raised dividend to you at this Annual General Meeting.

It amounts to 70 cents per common stock – this is an increase of 9.4 per cent – and to 72 cents per preferred stock – an increase of 9.1 per cent – respectively. Overall, the amount distributed to you, dear Shareholders, as a dividend will be 458 million Euros.

In addition, we spent 253 million Euros on our share buyback program in the business year 2006. All in all, we bought about 20.2 million in common stock between September 2005 and February 2006, in other words: three per cent of the equity capital of 759 million Euros.

In order to provide us with the possibility to buy further stock of the company in the future, we are proposing another authorization for a share buyback. Again, it is to be valid for 18 months. To what extent we are going to use this authorization for further share buybacks will be decided at a later point.

Considering our strategic process, we obviously want to keep all options open. At this point, I would also like to mention that we are providing further information on stock corporation law and contractual conditions on pages 41 and the following of our annual report in order to make these issues even more transparent. And I would like to second the additional explanations in the report of the Supervisory Board.

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A few words about the BMW stock.

At the last trading day of 2006, BMW common stock was listed 17 per cent higher than at the beginning of the year. In the same time period, BMW preferred stock soared by 34.3 per cent. Over the last ten years, BMW stock has gained more than 150 per cent in value. So it has grown more strongly than the German DAX.

The BMW stock is a long-term growth investment.

Thanks to its positive development – at low volatility – it reflects the continuous development of the company. It reflects our company's basic principles:

- Long-term thinking
- Long-term actions
- Long-term growth.

This is also to the best interest of our 106,575 associates.

People enjoy working for us – assembly line workers and executives alike. I know that from many personal conversations.

People enjoy working for us

- because their job is secure
- because they are passionate about mobility
- because they identify with the company and its products
- because we request high performance and reward it by paying above-average wages and salaries as well as extended benefits
- and because we have shared profits with our associates for over 30 years.

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There can be no question about the BMW Group being an attractive employer. BMW has a young image and is thus fascinating – to young people in particular.

Last year, about 1,200 adolescents started again an apprenticeship with our company. At the end of 2006, the BMW Group employed a total of over 4,300 apprentices and trainees.

You see: We take care of future generations and suitable junior staff. This is something I call sustainability as well.

For the year 2006, all eligible associates subject to collective agreements will receive a profit sharing contribution of up to 156.3 per cent of their gross monthly salary, provided that you as the shareholders agree to the proposed increase in dividend today.

As far as I know, none of our competitors – and probably also no other company in Germany – offers its associates a comparable profit sharing contribution.

Our experience tells us: These additional contributions pay off.

- They further raise motivation.
- They raise the associates' willingness to accept personal responsibility.

And this is what makes us strong.

After all, it makes a tremendous difference whether people just do their jobs or whether all of them work together to reach one common goal – success.

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On behalf of the entire Board of Management – and I am sure also on behalf of you, Ladies and Gentlemen – I would like to thank all associates for everything they have accomplished in 2006!

A key to success is the factual and result-oriented cooperation between the Board of Management and the Works Council.

I am sure that you have read in the press about current difficulties at some companies concerning codetermination and the actions of people involved on the employer's and the employee's side.

We always struggle to reach the best solution through tough but fair negotiations. When a compromise has been reached, it is supported by all those involved – and with a clear conscience at that. Our constructive cooperation distinguishes us from our competitors. This is definitely a trump card.

So thank you very much, Mr. Schoch, to you and your colleagues!

Challenges for the premium manufacturer BMW Group

The BMW Group is successful. But: Today's success is only worth as much as the perspectives it offers for tomorrow.

The world around us is changing:

- our industry
- the environment in which we work
- and the conditions accompanying our entrepreneurial activities.

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So what are the main challenges for us?

- First, intense competition is in full swing.
In the mass market, but also in the premium segment, in which the BMW Group operates. The automotive industry is in a process of consolidation, as is the supplier industry. This has an effect on purchasing conditions – in particular for an independent manufacturer such as the BMW Group. Therefore, we need to establish strong ties with the right partners. In the automotive industry, many manufacturers cooperate in individual areas. I think that only those with an ability to cooperate can be competitive today. We always look for the right partner in the particular case without giving up our independence.
Intense competition also arises from the market entry of new manufacturers. Toyota is trying to gain a foothold in Europe with its Lexus brand. Chinese carmakers offer their vehicles in the mass segment also beyond China.
- A second major challenge is the shift in global growth regions.
Twenty years from now, Asia will have replaced the United States as the world's largest automotive market. Demand for premium vehicles is still strongest in the G6 industrial nations. But the strongest growth rates are achieved in China and India as well as in markets such as Brazil and Russia.
We keep both things in mind – the mature markets and the young, emerging markets. In China, for example, our retail volume rose by 65 per cent between the end of 2003 and 2006. In India, we are just at the beginning of this development. In March, I inaugurated our BMW assembly plant at Chennai in Southern India. For the time being, we can produce up to 1,700 cars a year there.

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- A third major challenge for all OEMs is the demographic development.

This is true for company internal matters. We can expect the average age of our workforce to rise, so we have to be prepared for this change. We have to make sure that we will continue to deliver maximum performance and innovations.

But it also applies to external matters, namely as regards our customers. Our target groups are going to change, and so are the demands an aging society makes on auto manufacturers and their products.

- A fourth challenge is the mobility in the world's largest cities. We expect mega-cities such as Shanghai, Tokyo, Mexico City, Rio de Janeiro or Los Angeles, but also London and Paris, to grow further. Traffic density in crowded urban spaces is rising dramatically. Already today, some cities are trying to intervene by implementing regulations on traffic flow. So for us, the question is: What consequences does this trend have for us?
- Closely connected to this point is the fifth main challenge for our entire industry – the development of powertrains requiring less or no fossil fuels.

All manufacturers are trying to find their silver bullet here. On the one hand, resources are limited. So there is a natural time limit for traditional combustion engines as well. On the other hand, it is our common task to protect the environment.

Politicians intend to reduce the emission of greenhouse gases, mainly of carbon dioxide. In Europe, the focus is on individual traffic, despite the fact that vehicles only have a relatively small share in emitting carbon dioxide.

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We have long thought that environmental protection concerns all of us. As the leading premium manufacturer, we assume responsibility.

You see: These new challenges are extremely complex and demanding.

They are closely connected to further challenges we as a transnational corporation have to face.

- There are, for example, trade barriers such as import duties in different regions of the world.

In India, a customer has to pay double the price for a BMW than in Germany, due to high customs duties. Thanks to our local production, these duties do not apply. In China, protection of intellectual property is still an open issue.

- And let us not forget currency risks.

I have explained the burdens arising from currency effects. This is why we have decided to expand capacities at our Plant Spartanburg in the US from currently 140,000 to over 200,000 units a year. This is one part of our future strategy that helps us to lower currency risks in the US dollar.

There is one point I would like to emphasize: We see all these challenges as opportunities!

It is a simple equation: Those who are most successful in mastering the challenges manage to gain a competitive edge.

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These trends and others I have not mentioned have been included in an environmental analysis which is an element in our strategic considerations.

- How are we going to position the BMW Group for the future?
- In which areas can we rely on our strengths?
- In which areas do we have to change?

New technologies assure our future

Ladies and Gentlemen,

In this context, climate change also plays an important role. So allow me a few remarks on this subject.

The issue of climate protection and carbon emissions is here to stay. Public awareness is going to change.

The UN climate report states the unvarnished truth. The number of environmental disasters around the world is rising. And the report clearly shows how fast climate change is happening, even though this is not visible to the naked eye.

Everybody has to be prepared to make a contribution to climate and environmental protection.

The BMW Group has long been working on sustainable mobility concepts:

- For the long term: hydrogen
- For the medium term: hybrid
- At present: efficient engines and hybridization.

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Let me briefly comment on these points:

First, Hydrogen.

Against the background of current standards of technology, hydrogen is the only energy source that can be burned almost without emissions. We have done research in this field for 25 years which demonstrates: The development of alternative powertrains cannot be achieved overnight.

Our Hydrogen 7 is the world's first premium sedan that runs both on hydrogen and petrol.

This is proof that driving without fossil fuels and without carbon emissions is feasible.

Of course, this is not the end of the story. Of course, there are still questions to be answered, such as the generation of hydrogen from regenerative energies. And of course, a comprehensive infrastructure has to be established.

But: The first step has been taken. The technology is there. It works. And it is suitable for series production.

At present, political and business leaders are experiencing the H7 in everyday life. We are also showcasing this vehicle here at today's AGM.

Second, Hybrid.

Today's hybrid systems are not the solution to the problem of zero-emission driving. They can only be an intermediate step. The environment does not really stand to benefit from the combination of an inefficient combustion engine with an electric motor and a battery – followed by a PR campaign that sounds as if the perpetual motion machine has just been invented. The current hybrid hype clearly does not match market realities.

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We are developing hybrid systems for large vehicles such as the BMW 7 Series in cooperation with DaimlerChrysler. This hybrid is supposed to offer considerable fuel consumption advantages also outside of towns and cities, in overland traffic. This is a weak point of the hybrids currently available on the market.

We are planning to launch a mature, typical BMW solution in 2009.

Third, the further optimization of combustion engines and hybridization.

We have been lowering our vehicles' fuel consumption and improving driving dynamics at the same time for years.

BMW stands for Bayerische Motoren Werke, Bavarian Engine Works. Engine manufacture is one of our core competences – maybe even the core competence. And the traditional combustion engine is going to dominate our streets for decades to come.

In Germany alone, we have lowered BMW fleet consumption by almost 30 per cent between 1990 and 2005. We managed this despite the fact that new safety standards such as airbags and side-collision protection as well as legal regulations on exhaust gas treatment have actually increased a vehicle's weight and their consumption.

We have met our customers demand for sheer driving pleasure and have protected the environment. This is progress.

Our BMW EfficientDynamics strategy assures future success.

No other manufacturer has a concept that can, even to some extent, bear comparison. With this concept, we have set new standards in our industry.

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This mainly applies to our efficient engines. Above all to the new BMW four-cylinder petrol engines with direct injection and lean-burn mode as well as the latest generation of BMW four-cylinder diesel engines.

Together with the other measures, they lower consumption, depending on the model, by up to 20 per cent. As an engineer, I can tell you: This is truly an enormous leap.

- The new BMW 118i, for example, uses 5.9 liters of fuel per 100 kilometers. Its predecessor from 2004 needed 7.3 liters.
- The new 118d consumes 4.7 liters of diesel per 100 kilometers.

As regards efficient diesel engines, BMW has long been in the lead.

From next year on, we are going to offer our Clean Diesels also in the United States. As a result, we are expecting another surge on the US market. Just consider that in some European countries, 90 per cent of all BMW vehicles delivered to customers are equipped with a diesel engine.

With our clean diesel engines, we will meet the different and challenging environmental requirements in all 50 American states.

Apart from efficient engines, BMW EfficientDynamics comprises a variety of measures:

- light-weight construction
- optimized aerodynamics
- brake energy recovery
- electrical steering
- air damper control
- shift-point display
- tires with low rolling resistance

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- and automatic start/stop function.

Some of these measures serve the purpose of hybridizing the powertrain. A comprehensive electrification of the powertrain in turn is the prerequisite for an efficient overall hybrid system, such as the one we are currently developing.

Our economic engines and all other BMW EfficientDynamics measures are to be applied to the entire fleet step by step.

We do not need any token models as showcases. What we want is a broad effect.

With EfficientDynamics, we remain true to our motto "Sheer driving pleasure".

This also applies to the new BMW models we already launched this year:

- the new 3 Series Convertible, equipped for the first time with a retractable hardtop
- the new X5, now also available in Europe and Asia
- the model updates of the BMW 5 Series Sedan and Touring as well as the new M5 Touring
- the model update of the BMW 1 Series.
- On 26 May, we are furthermore introducing a completely new three-door variant of the BMW 1 Series.

As regards MINI, the new MINI generation was launched in the US in February and in Japan in March. In late April, the MINI family was complemented by the MINI Cooper D, the new diesel model. It sets new standards in terms of fuel consumption and carbon emissions: 4.4 liters of diesel per 100 kilometers and 118 grams of carbon emissions per kilometer.

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I can promise you: Further models are to follow:

- In fall, BMW is going to launch the new M3, a car many customers are already waiting for. We also stand behind this vehicle. The M models promote our image of driving dynamics and sporting flair. As far as carbon emissions are concerned, they are negligible, due to their low quantity. And there is a lot to look forward to at the IAA in Frankfurt.
- The MINI family is going to get a new member in late 2007– the MINI Clubman, a completely new model.
- Rolls-Royce is going to introduce the Phantom Drophead Coupé this summer. By the way, the scheduled 2007 production volume for this luxury convertible is already completely sold out. In the next years, there will also be another model below the Phantom.

From 2008 on – this has been known for quite some time now – we are going to launch two completely new BMW model series:

- the X6
- and the Luxury Sports Cruiser.

Carbon emissions are always considered in our product decisions. Next year, about one third of our new vehicles in Europe are going to emit less than 140 grams of CO₂ per km.

As early as the end of this year, this product range will comprise a number of vehicles from the MINI Cooper Diesel to the BMW 520d.

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We are thus making a considerable contribution to the voluntary commitment of the European manufacturers, which is an average value for all new cars registered in Europe.

Due to our product portfolio, we as a premium manufacturer come from a totally different level than a volume manufacturer that mainly produces small cars.

If the EU really intends to lower carbon emissions in traffic, it has to act persistently and require all vehicles to make a contribution. This would only be fair, not least of all due to the substantially higher number of small cars on the market compared to larger premium vehicles.

Here is an example from our product portfolio: Why should we in the future only reduce carbon emissions for our large BMW vehicles and ignore the same point when it comes to MINI? In 2006, we sold about 50,000 BMW 7 Series vehicles, compared to 188,000 MINIs for the same time period. So which model causes the stronger environmental effect when we lower carbon emissions? For the environment – this much is a given – the impact of each gram of carbon dioxide is the same.

A reasonable regulation for carbon emissions in Europe should thus reflect the different vehicle classes and types.

We do not want a market distortion. And the customer should continue to have the choice between different vehicle concepts.

For efficient climate protection, all polluters have to be involved. In this context, it should also be considered in which areas carbon emissions can be reduced at low costs.

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We assume responsibility in a comprehensive manner.

Dear Shareholders,

With new products and innovative technologies, we meet our customers' requirements as well as the demands on future mobility.

But: Sustainability is much more than lowering carbon emissions.

We do not limit our efforts to the reduction of carbon emissions of our vehicles and the development of alternative powertrains. As I see it, the current debate is rather one-dimensional.

How do we handle valuable resources and energy sources – such as water, electricity and others?

We guarantee sustainability in all its aspects.

This is why the BMW Group often takes top positions in rankings regarding environmental protection, use of natural resources and social commitment.

- In 2006, we were again the number one in the automotive industry in the Dow Jones Sustainability Rating.
- The Berlin Institute for Future Studies and Technology Evaluation sees the BMW Group as the number one among 28 German companies concerning sustainable business development.

Our entire production network makes efficient and environmentally-sound use of resources. Just think about energy. Over the last ten years alone, we have lowered group energy consumption by 26 per cent and carbon emissions by 24 per cent per vehicle. Or water: Water consumption per vehicle produced has dropped by almost 50 per cent since 1996.

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Two examples here:

- Our engine plant Steyr in Austria has developed an innovative water and wastewater concept. As a result, the plant now saves 30 million liters of water a year.
- Last year, BMW Plant Spartanburg reduced carbon emissions by more than 53,000 tons – thanks to energy recovery from methane gas generated at a landfill.

This economic use of natural resources saves us a lot of money which we can use for the development of new products and powertrains.

At our 23 production locations in 13 countries as well as in all markets, we act responsibly and environmentally-friendly. This includes a variety of activities in the field of social and cultural commitment.

Thanks to our economic success, we can act sustainably within society. On the other hand, our success is not only based on economic key data, but also on the strong integration of our company in society.

Outlook 2007

We intend to continue our successful development this year.

Our goals for 2007 are as follows:

- We expect new retail records for all three brands. Group retail is going to increase in the higher one-digit percentage range. All in all, we are talking about over 1.4 million vehicles.

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- Excluding the one-off book gain from the Rolls-Royce exchangeable bond in 2006, we intend to achieve a pre-tax group profit above the previous year's level.

To what extent we will be able to outperform our 2006 result will depend on the development of our business environment.

There are again numerous risks to be faced in 2007 – from fierce competition and rising interest rates to high raw material prices and the weak exchange rate for the dollar and the yen. We are going to take active countermeasures by raising our retail volume and by improving our effectiveness and efficiency.

You can rely on one thing: We are going to make best use of all opportunities in order to further improve our result.

Ladies and Gentlemen,

As the Chairman of the Board of Management, I have a particular responsibility towards you as our shareholders, but also towards our associates all around the world, our partners and society in general.

I am also responsible to our customers. Our customers are among the most loyal in the entire automotive industry. We are determined to further strengthen their bond with the BMW brand.

Right here, next to the Olympic Hall, we are setting up our new delivery center – the so-called BMW Welt – a charismatic building. This is where customers are going to experience a very special day when they come to pick up their new BMW.

The official opening of BMW Welt is going to take place on October 17. I would already like to invite you to join us at the open days on October 20 and 21.

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Experience for yourself what the passion for BMW is all about. This passion and the confidence in our products are what our customers all over the world have in common.

As I have stated in the beginning: I am looking forward to leading this strong and unique company into the future, together with my colleagues on the board of management!

I want the BMW Group to remain a profitable investment for you as the shareholders. This is what I am working for, together with all the executives, associates, our retail network and our partners.

Today we are setting the future direction so that the value of your company will continue to increase in the future.

Thank you very much for your attention!