

BMW Group Corporate Communications

Media Information
18 March 2008

- Check against delivery -

Statement by Dr. Norbert Reithofer, Chairman of the Board of Management of BMW AG Annual Accounts Press Conference Munich, 18 March 2008

Ladies and Gentlemen—

Once again: Good morning and welcome to our first Annual Accounts Press Conference at the BMW Welt.

One million visitors have already visited this building. First of all, the BMW Welt is an investment for our customers who can experience the BMW brand and its products here.

Our success rests on the great popularity of our three brands BMW, MINI and Rolls-Royce and their products. This popularity is also the foundation of our corporate achievements in the business year 2007.

PART I: Report about the business year 2007

In a nutshell:

2007 was a good business year for the BMW Group.

The facts support this claim. So what have we achieved?

- retail highs for all three brands
- record revenues
- best earnings before interest and taxes (EBIT)
- best profit before taxes—adjusted for the book gain from the Rolls-Royce exchangeable bond
- an improved return on capital employed in the automobile segment.
- And: We remain the world's most successful manufacturer in the premium segment.

The BMW Group has met its 2007 targets.

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We have achieved everything we had promised.

Let me outline the key facts and figures for the business year 2007:

1. Automobile retail: For the first time in the company's history, the BMW Group sold over 1.5 million cars—9.2 percent more than in 2006. More customers around the world decided for a car of the BMW Group than for any other premium car. All three brands achieved new record sales. And BMW is the world's best-selling premium brand.
2. Motorcycle retail: In 2007, more than 102,000 BMW motorcycles were delivered to customers. This is a rise of 2.4 percent over the previous year.
3. Financial Services: Once again, this segment recorded dynamic growth rates. Overall, the number of financing and leasing contracts with dealerships and end customers went up 15.8 percent, bringing the total up to over 2.6 million.

So how is this development reflected in our financial result?

1. Profit before taxes: At 3.87 billion euros, group earnings fell short of last year's record level by 6.1 percent.
You know that our 2006 earnings included the positive effect from an exchangeable bond in shares of Rolls-Royce plc, London. Adjusted for this book gain, we achieved profit before taxes above the 2006 level – which means that we met our target.
2. Net profit: For the first time ever, we surpassed the mark of 3 billion euros. This is an increase of 9 percent compared to the previous year.

I am certain you would agree that these are good reasons for us to be proud of our achievements.

Obviously, we also want our shareowners to participate in this success – with a significantly higher dividend.

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At the Annual General Meeting, the Board of Management and the Supervisory Board will propose to increase the dividend by approximately 51 percent to 1.06 euros per common stock.

The increased dividend reflects our intention to put greater emphasis on the needs of the owners of the company's equity. This is a first step. Many members of our staff also benefit from our employee stock program.

Despite the success we made in 2007, we must not forget that we are facing tremendous challenges.

These include stricter emission standards in different parts of the world, the negative impact of currency exchange rates and a further price hike of raw materials.

Being well prepared is the key in meeting these challenges head on.

- The BMW Group is the most successful European car company in the U.S. So the persistent weakness of the dollar affects us more strongly than competitors that sell fewer cars in the U.S. than we do. In the course of the year 2007, the US dollar depreciated by almost 10 percent against the euro. We are moving at full speed to achieve greater independence from the dollar. In the long run, our positive performance in the world's largest car market will once again result in higher contributions to our operating earnings. When stricter emission laws take effect, we will be able to offer the American customers environmentally-friendly premium cars. This will enhance our strong position even further.
- In 2007, the rally in raw material prices continued with further increases for metals and precious metals. The average price for a barrel of crude oil went up 10 percent last year. And overall energy costs rose dramatically.

2007 was the year in which the environmental message really hit home.

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Climate protection is a cause that we at the BMW Group have made our own like no other car company. The foundation was laid in 2000. Since then, we have applied a variety of innovative measures to reduce fuel consumption.

We thus started to step up our investment in research and development earlier than any other premium manufacturer. Otherwise we would not have been able to launch a comprehensive program such as EfficientDynamics.

In the last few years, our annual investment in environmentally-friendly technologies averaged several hundred million euros.

Reducing emissions further is a key task for the future, and we want to be able to provide better solutions than our competitors. At the same time, we will streamline our research and development costs in order to operate with an R&D ratio of between 5 and 5.5 percent.

We will continue to invest in our future.

We are convinced: There won't be an alternative to the car in the next decades.

People want to decide by themselves:

- when to travel,
- whom and what to take along,
- which road to take,
- when and how often to stop on their way,
- and where exactly to arrive in the end.

Individual mobility will remain a basic necessity.

PART II: Securing the future with our strategy

Ladies and Gentlemen—

The BMW Group has developed very well in the last few years:

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- We almost doubled our sales between 2000 and 2007.
- Despite increasing external burdens, we have always maintained our high earnings level.
- We have strengthened our international presence. Today, we operate 41 sales subsidiaries and 23 production locations in 12 countries.

Given these achievements, some of you might want to know:

- why we carried out a strategic realignment,
- why we want to improve our level of efficiency,
- and how this high earnings level goes together with our saving efforts?

Such questions need to be answered, especially in light of the current debate about corporate responsibility.

Our strategy Number ONE outlines the roadmap for the BMW Group's long-term development.

This is our main responsibility – for the benefit of our shareowners and employees.

All the measures we take refer to our strategy's four pillars:

- Growth
- Shaping the future
- Profitability
- Access to technologies and customers.

Let me comment on two of these pillars:

1.) Shaping the future

Today we have the best technology in the market for reducing carbon emissions.

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Our current line-up includes 22 BMW and 5 MINI models that emit less than 140 grams of CO₂ per kilometer.

In 2007, we sold 450,000 vehicles equipped with EfficientDynamics in Europe alone. This year, we will raise this number considerably again, to a total of approximately 830,000 units:

- 700,000 BMW and
- 130,000 MINI.

This way our customers are going to save 150 million liters of fuel compared to 2006 – which corresponds to a reduction in carbon emissions of 373,000 tons.

We are the only carmaker with a strategy that has such a far-reaching effect. By the end of 2008, we will have reduced our fleets' carbon emissions in Europe by 25 percent from 1995 levels.

However, there are limits to what physics can do, even for the Ultimate Driving Machine. It won't be possible to take this progress further only by implementing new technologies.

We expect decision-makers in Brussels to create long-term solutions.

All industry sectors have to make a contribution to lowering carbon emissions – including the automotive industry, of course. We accept responsibility.

Within the automotive industry, all manufacturers have to do their part. Emissions have to be reduced for both small and large cars. This issue concerns premium and volume manufacturers alike – for what really counts is to provide the maximum environmental benefit.

In the end, the automotive industry can only reduce emissions in the traffic sector further by cooperating, and this means that all car companies and all segments have to get involved.

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In response to this, I would like to thank the German government for taking such a firm stance.

The BMW Group is further working at top speed to create dynamic cars that are also environmentally-friendly, because our customers want both.

- We are introducing state-of-the-art, low-emission diesel cars in all 50 U.S. states this year.
I know that you might have heard this before, but our diesel cars can bear comparison with today's hybrids: The MINI Cooper Diesel, for instance, emits exactly the same amount of carbon dioxide—104 grams per kilometer—as the Toyota Prius. And it even costs 5,500 euros less than the Prius base model. Which car is more fun to drive – well, that's something everybody has to decide for themselves.
- In 2009, we will launch the first BMW Hybrid. It will require 20 percent less fuel than a comparable car with a combustion engine. At the Geneva Motor Show, we demonstrated what else could be done with hybrid technology: By combining a diesel engine with a hybrid transmission, a large SAV such as the X5 requires only 6.5 liters of fuel.

So what else will the future bring?

As part of the new strategy, a new organizational unit called "Project i" is working on completely new car and mobility concepts for megacities.

This project is fully independent and even free to act beyond BMW structures if necessary. The task of the "Project i" team is to present specific solutions already in the first half of the next decade. Whether this will require a fourth brand or not, will be decided at a later date.

It is not yet clear which alternative drive system based on which technology will come out on top. This is why we have decided to focus on a wide range of technological options.

The challenges of future mobility will require customized solutions.

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An electric motor is an option we are looking into as well. It does not only work at a zero-emission level. The technology is now sophisticated enough

to offer sheer driving pleasure. This is one of the reasons why we are evaluating the option of launching a battery-powered car. A decision will be taken this year.

2.) Profitability

Improving profitability is another pillar of our strategy.

Profitability is necessary to secure our successful future. It provides us with the necessary financial means, and guarantees our independence.

It is our goal to take capital efficiency and profitability to a new level by 2012.

We are convinced that a company that only develops and builds premium products has to deliver an above-average rate of return as well.

Shareholders are entitled to receive adequate interest on their investment. This is a fair demand in a social market economy, just like the request of employees to have job security.

All divisions are contributing to our profitability targets.

The production network, for example, improved efficiency by more than ten percent last year – despite a new record of 16 model SOPs. For the next few years, we plan to raise our productivity target from 5 percent today to 7 or 8 percent.

The greatest potential for future efficiency enhancements lies in material costs, which are the lion's share of costs within the company.

Please allow me a personal remark:

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Over the course of the years, the cooperation between the BMW Group and their supplier network has grown into a successful innovation partnership. This is why we treat our suppliers fairly.

Of course, our purchasing division negotiates prices with them. But it is even more important to us to examine their costs and our requirements carefully – together with our suppliers.

This approach has helped us strengthen the cooperation with the supplier network in the last few months. Our experience shows that the interface between supplier and in-house value creation offers considerable potential, which we plan to tap into for our mutual benefit.

It is our goal to keep up our top level of quality while saving costs at all stages of the supply chain. We expect a lot from these efforts. And both partners stand to benefit.

Another issue in improving profitability is our knowledge management.

To meet the various challenges ahead, we need highly qualified specialists and executives. Requirements are changing. Just think about the mobility concepts for megacities we are working on or intelligent solutions in the field of hybrid or electric drive systems.

So implementing all our plans will require us to align our knowledge structures with these new requirement profiles.

What this means for us is:

First: We want to work with the most creative minds. So we will continue our strategic recruitment efforts. This year alone, 500 new jobs will be created. And we will keep on training a large number of young people at the BMW Group.

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Second: We are becoming more and more efficient – as our production efforts have shown.

There is no way around implementing efficiency enhancements – given the increasingly fierce competition among carmakers and global operations.

But what this also means for us is that we need fewer people in some areas. As announced a few weeks ago, we want 3,100 permanent staff to accept voluntary redundancy and severance packages.

We understand good management as acting with foresight.

We are now creating the foundation needed to secure employment in Germany and at our international locations over the long run.

We are one of the most international companies in our industry. Four out of five BMW Group cars are exported.

But: We are committed to Germany as our industrial base. Germany is where we are rooted. This is where our heart is and where it will remain.

PART III: Outlook and goals 2008

Ladies and Gentlemen—

We want to continue our successful development in the business year 2008.

But there is something we must not forget:

- External burdens such as currency fluctuations and raw material prices will impact our earnings situation.
- Furthermore, 2008 will see particular uncertainties due to the effects of the Subprime crisis. One result might be a slowdown of the US economy which could also hurt the whole automotive industry.

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Nevertheless: We have set ourselves again ambitious targets for the business year 2008.

- We want to achieve record sales for all three automobile brands.
- We want to stay in the lead as the world's most successful premium car manufacturer.

- We plan to outperform last year's earnings before taxes— adjusted for the book gain from the Rolls-Royce exchangeable bond in 2007.
- We want to improve earnings quality in 2008. This will also be reflected in our key performance figures such as return on sales and return on capital.

Our strategy details our long-term goals.

You know that by 2012 we want to achieve:

- a return on capital employed of 26 percent in the automobile segment
- as well as an EBIT-based return on sales of 8 to 10 percent in the automobile segment.

Keeping these goals in mind, allow me one final remark: It's not over till it's over. There have been several times in which one or the other car company was very euphoric. But what matters most is who achieves the goals over the long-term and can hold this position.

For all of us at the BMW Group one thing holds true:
We deliver on our promises.

Thank you very much for your attention!