BMW Group
Corporate Communications

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BMW Group heading towards a successful year in 2008

Adjusted pre-tax earnings will be above last year's level
All-time high sales volume levels expected for all three brands

Munich. The BMW Group intends to continue its successful business performance in the current year. "We are aiming towards a current year profit before tax -adjusted for the exceptional gain on the settlement of exchangeable bond on shares in the British aero engine manufacturer, Rolls-Royce, in 2007 - that is higher than in the previous year", said Norbert Reithofer, the Chairman of the Board of Management of BMW AG at the BMW Group Annual Accounts Press Conference in Munich on Tuesday.

The BMW Group plans to achieve new record sales volume figures for all three brands in 2008 and hence to retain its position as the world's leading premium manufacturer. "The BMW Group expects another record number of deliveries in 2008. We remain well on course to achieving our strategic sales volume target of 1.8 million vehicles in 2012", continued Reithofer.

The BMW Group again faces some major challenges in the current year as a result of the strong euro, a weaker US economy and continuing high raw material prices. It is also likely to be confronted in the future by stricter emission standards in many countries. The BMW Group has invested several hundred millions of euros in environment-friendly technologies in recent years, enabling and providing the BMW Group a competitive edge over its competitors. Our EfficientDynamics programme offers customers the best technology that is currently available on the market to reduce fuel consumption and CO_2 emissions. In 2007, some 450,000 vehicles were sold in Europe alone equipped with EfficientDynamics. This figure is expected to rise in 2008 over 830,000 vehicles.

Company
Bayerische
Motoren Werke
Aktiengesellschaft

Postal Address
BMW AG
80788 München

Telephone
089/382-24118

Internet
www.bmwgroup.com

Number ONE strategy aimed at safeguarding BMW Group's future

"We are making sure that the BMW Group is fit for the future. All of the measures adopted in conjunction with our Number ONE strategy are aimed at safeguarding the BMW Group's future and increasing its value", he emphasised. By 2012, the BMW Group's Automobiles segment is aiming to achieve a return on capital employed in excess of 26% and a return on sales in a range of 8% to 10%. "Profitability is essential factor in our endeavours to safeguard the future of the BMW Group. It ensures that the necessary financial resources are available and also safeguards our independence", stressed Reithofer.

BMW Group achieves all of its targets in 2007

The BMW Group achieved all of the targets that it had set itself for the financial year 2007 by posting new record sales volume and revenue figures and an adjusted profit before tax higher than one year earlier. Profit before tax, at euro 3,873 million (2006: euro 4,124 million), was 6.1% down on the record level achieved in the previous year. Adjusted for the exceptional impact of the settlement of the exchangeable bond on shares in the British engine manufacturer, Rolls-Royce plc, the profit before tax, as previously announced, was 0.6% higher than one year earlier. The exceptional gain on the conversion of the remaining options in 2007, at euro 97 million, was significantly lower than the previous year's gain of euro 372 million. Group EBIT rose by 4.0% to euro 4,212 million (2006: euro 4,050 million).

As a result of the one-time effect of the corporate tax reform in Germany, the net profit also rose by 9.0% to a new all-time high level of euro 3,134 million (2006: euro 2,874 million). The net profit therefore surpassed the three billion euro figure for the first time. Group revenues climbed by 14.3% to euro 56,018 million (2006: euro 48,999 million) on the back of sharp rise in sales volume and thanks to the dynamic growth of financial services business. This means that revenues were able to break through the euro 50 billion barrier for the first time. Operating cash flow rose to 6,340 (2006: 5,373) million euros, resulting in an increase of 18%.

Adverse currency impact of euro 517 million in 2007

The BMW Group again had to face strong headwinds in 2007 caused by unfavourable developments on the foreign exchange and raw material markets. The adverse currency impact totalled euro 517 million (2006: euro 666 million), while higher raw material prices increased costs by euro 288 million (2006: euro 178 million). Efficiency improvement measures and strong business growth, however, enabled the BMW Group to offset this impact to a large extent. The BMW Group forecasts that the adverse currency impact in the current financial year will be lower than in 2007. All of the main currencies are practically fully hedged for the current financial year.

Shareholders to participate significantly more in success of business

The Board of Management and the Supervisory Board will propose at the Annual General Meeting to be held on 8 May 2008 that the dividend per share of common stock be increased by 51.4% to euro 1.06 (2006: euro 0.70) and that the dividend per share of preferred stock be increased by 50.0% to euro 1.08 (2006: euro 0.72). “We also want our shareholders to be able to participate significantly more in the success of the BMW Group in the future”, explained Reithofer.

New authorisation for share buy-back proposed

The Board of Management and the Supervisory Board of BMW AG will propose a resolution at the Annual General Meeting to authorise the buy-back of up to 10% of the Company’s share capital. The authorisation, if resolved, will be valid for a period of 18 months. The buy-back authorisation passed in the previous year remains valid until 14 November 2008. It has not yet been decided whether or the extent to which the new authorisation will be applied to buy back further shares.

Automobiles segment earnings increased in 2007

The profit before taxes of the Automobiles segment for the financial year 2007 improved by 7.3% to euro 3,232 million (2006: euro 3,012 million) despite adverse currency factors and high raw material prices. Segment EBIT improved by 12.9% to euro 3,450 million (2006: euro 3,055 million). The EBIT margin was unchanged at 6.4%. Segment revenues increased by 12.7% to a new all-time high level of euro 53,818 million (2006: euro 47,767 million), therefore growing at a faster pace than sales volume. The return on capital employee (ROCE) improved to 22. 8% (2006: 21.7%).

The total number of BMW, MINI and Rolls-Royce brand vehicles delivered to customers in 2007 rose again to its highest level to date, with the sales volume up by 9.2% to 1,500,678 units (2006: 1,373,970 units). This means that the BMW Group fully achieved the upper single-digit sales growth rate target set for the full year 2007.

One of the major contributing factors for the good performance was the EfficientDynamics package which is helping to reduce fuel consumption and CO_2 emissions. Customers are also benefiting from this innovative technology in many MINI models.

1,276,793 BMW brand cars were sold in 2007, surpassing the previous year's level (2006: 1,185,088 units) by 7.7%. The MINI also recorded good growth with the retail sales volume rising by 18.5% to 222,875 units (2006: 188,077 units). Rolls-Royce increased its sales volume figures for the fourth year in succession and remains the undisputed market leader in the ultra-luxury segment. Rolls-Royce Motor Cars handed over 1,010 vehicles (2006: 805 vehicles) to customers in 2007 (+ 25.5%), therefore achieving a four-figure annual sales volume figure for the first time.

Motorcycles business continues to perform well

The Motorcycles segment's earnings performance again made good progress in 2007, primarily thanks to process optimisation and efficiency improvements. The segment profit before tax rose by 7.6% to euro 71 million (2006: euro 66 million). Revenues fell by 2.9% to euro 1,228 million (2006: euro 1,265 million) due to the changed model mix. The EBIT margin generated by motorcycle business improved to 6.5% (2006: 5.9%), while the ROCE increased to 18.2% (2006: 17.7%). The sales volume increased by 2.4% to 102,467 units (2006: 100,064 units).

Financial services business continues to perform dynamically

The Financial Services segment continued to perform dynamically in 2007 despite less favourable refinancing conditions. Segment profit before tax, at euro 743 million (2006: euro 685 million), was 8.5% ahead of the previous year. Revenues rose by 25.8% to euro 13,940 million (2006: euro 11,079 million). At the year-end, 2.63 million lease and financing contracts were in place with dealers and retail customers, representing an increase of 15.8%. The proportion of new BMW and MINI cars financed by the Financial Services segment increased to 44.7% (2006: 42.4%).

Capital expenditure almost at previous year's level

Capital expenditure in 2007 totalled euro 4,267 million (2006: euro 4,313 million) and was therefore almost at the previous year's level. Capitalised development costs recognised as assets in accordance with IAS decreased by 13.2% to euro 1,333 million (2006: euro 1,536 million) reflecting the lower volume of series development projects. Capital expenditure for property, plant and equipment and other intangible assets increased by 5.7% to euro 2,934 million (2006: euro 2,777 million), partly in connection with the expansion of the production network. The capital expenditure ratio of the BMW Group declined to 7.6% (2006: 8.8%).

Slight increase in workforce

The workforce increased slightly during the year, mainly as a result of the acquisition of Husqvarna Motorcycles and two acquisitions made by the Financial Services segment. At the end of 2007, the worldwide workforce comprised 107,539 employees (31 December 2006: 106,575 employees), an increase of 0.9%.

The BMW Group – an Overview

		2007	2006	Change in %
Vehicle production				
Automobiles		1,541,503	1,366,838	12.8
Thereof: BMW	units	1,302,774	1,179,317	10.5
MINI	units	237,700	186,674	27.3
Rolls-Royce	units	1,029	847	21.5
Motorcycles	units	104,396	103,759	0.6
Deliveries to customers				
Automobiles		1,500,678	1,373,970	9.2
Thereof: BMW	units	1,276,793	1,185,088	7.7
MINI	units	222,875	188,077	18.5
Rolls-Royce	units	1,010	805	25.5
Motorcycles	units	102,467	100,064	2.4
Workforce at the end of the year[1]		107,539	106,575	0.9
Revenues	euro million	56,018	48,999	14.3
Capital expenditure	euro million	4,267	4,313	-1.1
Operating cash flow	euro million	6,340	5,373	18.0
EBIT	euro million	4,212	4,050	4.0
Profit before tax	euro million	3,873	4,124	-6.1
Thereof: Automobiles	euro million	3,232	3,012	7.3
Motorcycles	euro million	71	66	7.6
Financial Services	euro million	743	685	8.5
Reconciliations	euro million	-173	361	-
Income taxes	euro million	-739	-1,250	-
Net profit	euro million	3,134	2,874	9.0
Earnings per share[2]	euro	4.78/4.80	4.38/4.40	9.1
Dividend per share of common/preferred stock euro		1.06/1.08	0.70/0.72	51.4/50.0

[1] figures exclude dormant employment contracts, employees in the work and non-work phases of pre-retirement part-time arrangements and low wage earners

[2] earnings per share in accordance with IAS 33 for common and preferred stock shares

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For questions please contact:

Corporate Communications

Mathias Schmidt, Finance Communications
Telephone: (+ 49 89) 382-24118, Fax: (+ 49 89) 382-24418

Marc Hassinger, Business and Finance Communications
Telephone: (+49 89) 382-23362, Fax: (+49 89) 382-24418

Internet: www.press.bmwgroup.com
e-mail: presse@bmwgroup.com