

BMW Group

Investor Relations

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- Please check against delivery -

Good evening, Ladies and Gentlemen,

It is truly a great joy to be able to ride in this exceptional vehicle. Whenever we develop an attractive product like this, I know I don't need to worry about our future cash flow or earnings. The "Vision EfficientDynamics" concept points the way for the whole auto industry.

Efficient Dynamics already gives our company a tremendous competitive advantage - But it is not just our products that are becoming more efficient.

We are moving our whole company towards profitability. We started out two years ago in September 2007 when we set ambitious cost and efficiency targets as part of our Strategy Number ONE.

Economies of scale and efficiency through standardisation are important factors in achieving these targets.

By now, we have already succeeded in identifying more than our original target of six billion euros in efficiency improvements. This refers to savings made against our original internal plans. But the economic crisis has forced us to leverage additional potential.

What have we done to support the achievement of our targets?

On this slide, you can see our short-term efficiency measures. We had started implementing these measures proactively even before the crisis began. These will also have a lasting impact on earnings.

But the most significant effects will be achieved through long-term conceptual measures – for instance, by applying a modular approach to products and processes.

This will already boost efficiency this year. We will quantify this effect at the end of this financial year. With new models ramping up in late 2009 these measures will have a growing and lasting impact.

I would like to talk about three typical projects: the strategy initiative “Customer value optimization”, the “Material costs offensive” and the “BMW Group Modular Strategy”. These examples will show:

- how aggressively we are tackling our cost situation, and
- how forcefully we are pushing for profitable growth.

Material costs are inevitably one of our biggest cost blocks.

We have approached this subject from several angles – in our purchasing division, in development and in our plants.

In the project we refer to as our material costs offensive, we have analysed all purchasing tasks for vehicles already in series production. How did we go about it?

We set up cross-functional teams to propose measures to cut both technical and commercial costs. These teams analysed the vehicle’s different product and function groups to find potential savings.

The new approach has been decisive: In the past, the approach was vertical – specific to model series. This offensive looks at costs from a horizontal perspective – across all model series.

We have also used price analyses and benchmarking to create maximum cost transparency.

Over the past few months we have looked at some 18,000 improvement measures. Many of these also add value for customers and therefore have earnings potential. We have certainly put a great deal of effort into this. And the company is sure to reap lasting benefits from this.

Between 2009 and 2012 the whole range of measures from our “Material cost offensive” will save us several hundred million euros.

One of the goals of our Strategy Number ONE is greater customer focus. Now, based on the example of our strategic initiative “customer value optimization”, I would like to provide you with some examples of how a stronger focus on customers can boost profitability:

This initiative approaches the issue from two sides. First, it focuses on optimising how we manage our standard and optional equipment. We have introduced new prices for many options according to segment-specific and competitive criteria. For instance, we analysed what our competitors charge and exploited the potential this revealed.

Second, we are optimising our product offering to reflect customer preferences. Thanks to market research we now have a much better idea of what kind of equipment customers really want.

We took a very close look at products that add value for only a small group of customers. And we also found that we were lacking certain features customers wanted. Through this initiative, we are reallocating resources according to customer needs. Ultimately, this enables us to make our range of optional equipment more attractive. We have also redesigned our option packages. A higher take rate and more valued options mean greater profitability for us.

Let me give you one example: For the first time we are now offering the M sport package without its usual, stiffer suspension tuning. This will broaden its appeal to customers. We expect this move alone to have an impact in the two-digit millions by 2012.

We expect our “Customer value optimization” initiative to boost earnings by an average of several hundred million euros per year.

My third example – our modular strategy project – illustrates best the deep changes taking place in our R&D department.

What exactly do we mean by “modules”?

Modules are components, functions, processes or concepts, used throughout the entire Group portfolio.

But modules are used to standardise only those tasks customers are not directly aware of. – Or those tasks where they do not expect any differentiation.

We will be able to use modular solutions for about 2/3 of the tasks in our vehicles. We will continue to decide which tasks are relevant for differentiation according to vehicle type. We have defined more than 600 modules that must be used in the development of new vehicles in the future.

Exceptions are only allowed with the permission of the Board of Management. I'm sure you can all imagine how that will have a disciplinary effect.

Other manufacturers may be able to use modules even more extensively – but we are also looking to preserve the authenticity and individuality of our vehicles.

How exactly do modules save costs?

For one thing, by streamlining the process of product development.

It also brings down structural and planning costs: Optimised, standardised production processes reduce manufacturing costs. So we are cutting costs throughout the entire process chain.

And, finally, modules also allow us to capitalize on economies of scale across all model series.

The module “roof system” provides us with an example, from the body shop: We currently use 12 different roof systems in 19 models. In the future we will have only 9 roof systems for 23 different model variants.

BMW Group modular strategy is already paying dividends in our price negotiations. The manufacturing costs for current models and the new BMW 5 Series are falling.

The cost benefits of modules will intensify over the next few years as our high-volume models ramp up. The manufacturing costs of our new models will be much lower than their predecessors' – on average, at least 20% lower.

There is one most important point: We are sticking to our profitability targets – even though volumes will be smaller than the 1.8 million units we originally planned for. We already announced that we will be unable to reach this volume by 2012.

In terms of efficiency, the BMW Group is in a much better position today, and for the years ahead, than it has been in the past. This evening I gave you just a glimpse of the profound changes taking place in our company. Our Strategy Number ONE is starting to bear fruit. It will produce even more impressive results over the next few years.

Our progress brings us closer and closer to our profitability targets for 2012. Thanks to the steps we have taken, we are confident that we will be able to achieve them.

However, that will also depend on stabilisation on the global markets. If this occurs as expected, we will continue to make gains with our new models. We are also hoping to see the current high cost-of-retail come down. By optimising costs and efficiency in the ways I talked about, we will continue to see our earnings improve. The BMW Group will continue to steer a successful course.

Thank you.