BMW Group  
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**Statement by**

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

**Conference Call Interim Report to 30 September 2010**

**November 3, 2010, 10:00 a.m.**

Ladies and Gentlemen,

Good morning from my side as well.

The upswing in the global economy has gained further momentum, and the BMW Group continues to benefit from this. Our attractive products, our measures to boost profitability, and the economic recovery have combined to produce good quarterly results. Due to upward trends, especially in markets outside Germany, the magnitude of the seasonal slowdown was less than we had forecast.

We expect this positive business development to continue over the coming months.

Increased momentum in the Auto Segment in particular pushed BMW Group revenues to almost 16 billion Euros in the third quarter. This represents an increase of 35.6% from last year.

At the Group level, we earned a profit before tax of 1.36 billion Euros in the third quarter.

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Now let’s move on to talk about the significant improvement in earnings and the individual segments in more detail.

The **Auto** **Segment** generated a profit before financial result of more than 1.15 billion Euros. Earnings for the year to the end of September 2010 totalled 2.76 billion Euros. For the same period we achieved an EBIT margin of 7.2%.

Besides sales growth, our improved product mix also had a positive impact on the Auto Segment. The 5 Series Sedan in particular generated positive product momentum. This will continue with the new BMW X3, the 5 Series Touring and the MINI Countryman.

Strong demand for new models also benefitted our price positioning. We continued to scale back sales incentives in all of our key markets in the third quarter. We will continue to stand by this pricing strategy. It is fully in line with our clear segment lead and enables us to benefit even more from our new products.

The reduction in material costs we achieved through optimizing our product development process and working with our suppliers also had a positive effect on earnings. This resulted in lower manufacturing costs for our new models.

Over recent months, we have strengthened our already solid foreign currency hedging positions at attractive rates. By doing so, we aim to become less dependent on volatile foreign exchange markets in the years ahead.

In the 3rd quarter, we reported a special charge from an employee bonus payment in the amount of 100 million Euros. We had already announced this back in August. It has always been our corporate policy to have our associates share in the success of the company. This is standard practice for us.

Together with our associates, we are implementing the measures defined by our Strategy Number ONE. We expect these to continue producing positive results.

The BMW Group will continue to be a pioneer in sustainable individual mobility within the premium sector. Using modular production will improve our allocation of capital and boost efficiency. This will give us greater freedom to develop innovative technologies and new product concepts.

We are already paving the way for totally new and revolutionary vehicle concepts. Our investment rate of 4.8% and the R&D ratio of 4.4% reflect the temporary difference between our exceptionally strong revenue growth and capital expenditure. We once again increased our spending on research and development from last year’s level.

We have acquired 1.66 billion Euros of securities on the capital markets primarily to fund another portion of our pension obligations in Germany. Adjusted for this amount, free cash flow for the year to September 30th in the Auto Segment was more than 2 billion Euros.

Unadjusted, that figure was 468 million Euros. We will transfer the remaining 200 million Euros or so of our German pension obligations by the end of the year. In doing so, the company is taking an important step for the future on behalf of its associates.

To remain prepared for possible market volatility, our Group liquidity position was strong at 8.75 billion Euros as of September 30. In the event of a continued stabilisation on the capital markets, we will continue to slightly reduce our liquidity position.

This brings me to the **Financial Services segment.** In the third quarter, this segment generated a pre-tax profit of 318 million Euros – this is three times last year’s figure. For the period between January and September 2010, earnings before tax amounted to 919 million Euros.

Our Financial Services segment benefitted from continuing favourable conditions on the international capital markets and further risk stabilisation in the third quarter.

In the period to the end of September, new business totalled almost 20.4 billion Euros. This is 11.2% more than the same period last year.

The percentage of new vehicles leased or financed by Financial Services declined slightly to 47.6%. The level of leasing business remained virtually unchanged, accounting for 24.1% of the contract portfolio.

The total business volume, as disclosed in the balance sheet, was 63.2 billion Euros, 3.3% higher year on year.

Our Financial Services business recently expanded: In September and October, we received the license required to run our own operations in China. BMW Financial Services China is based in Beijing and will open for business by the end of the year. BMW Financial Services India also received its business license in October and has been operating out of Gurgaon since. In this way, BMW Financial Services is clearly gearing itself towards future growth markets.

The risk situation in the leasing and loan financing business has continued to improve throughout the economic recovery. We expect our financing business to face lower default risks from retail customers and dealers throughout the rest of the year. The credit loss ratio for the year to the end of September 2010 dropped to 0.58% from 0.71% in the same period last year.

Overall, North America and Europe are trending differently. In North America, used car markets have further stabilised. We expect this trend to continue and default risks to keep falling. In certain European markets, on the other hand, we predict that the recent positive trend in the level of risk will slow. This is true for both used car markets and the loan business. This situation is based on the economic slowdown in certain European countries.

The positive development in North America and European markets led to an improved end-of-lease business. In the third quarter, this had an additional impact on the earnings in the low double-digit million Euros range.

However, there is still a degree of uncertainty in the capital markets and in some of the used car markets. We expect this volatility to last and will take proactive, forward-looking measures.

The **Motorcycles** **Segment** performed exceptionally well in a difficult market environment. We delivered around 24,500 BMW motorcycles to customers in the third quarter. Against the overall market trend, we increased sales by almost 8% from the same period last year.

In Europe alone, we increased sales by 18% in the first nine months of 2010. We are now the market leader in the key motorcycle markets of Germany, Italy and Spain in our relevant segment above 500 cc – as well as in Belgium, the Netherlands and Austria.

Between January and September we generated revenues of nearly 1.1 billion Euros in the Motorcycles Segment. The EBIT of 88 million Euros was 73% higher year-on-year.

Further details on our individual segments can be found in our quarterly report.

The BMW Group is currently enjoying the benefits of three effects: our highly attractive products, the current economic recovery and the company’s increased earnings power. The measures defined by our strategy are clearly taking effect, and we are optimising both our costs and performance on a continuous basis. Gradual improvements in profitability and positive product momentum over the next few years are evidence of the success of our strategic measures.

Despite the uncertainties that remain in the global financial markets, we expect the BMW Group to enjoy dynamic sales and earnings growth for the rest of the year: On the one hand, this is due to our attractive new models which are in high demand. And, on the other, it is thanks to the recovery we are experiencing in many markets.

The improved outlook allows us to raise the forecast we made in the summer. From the current perspective, we will exceed our previously announced an EBIT margin of more than 5% for the Auto Segment by the end of the year: We are currently forecasting an EBIT margin of above 7% for the full 2010 financial year. And we are still targeting a return on equity of more than 18% in the Financial Services Segment. At Group level, we expect to see a significant increase in our profit before tax compared to 2009.

Our goal remains the same: sustainable, profitable growth. That means further strengthening our company’s earnings power – and at the same time, constantly focusing on our premium claim. The BMW Group aims to be the leading provider of sustainable, premium cars and services for individual mobility.

We have the right strategy, capabilities and financial resources needed to clearly meet the challenges of the future. We will continue taking right steps to assure our ongoing success. Thank you.