

Press Release

02 November 2006

## **BMW Group remains on track for success in 3<sup>rd</sup> quarter**

Pre-tax profit rises by 9.4% to € 720 million

Revenue and retail targets for full year confirmed

**Munich.** Following a successful third quarter, the BMW Group is headed for the best year in the company's history. "We are right on track for achieving a record pre-tax profit of € four billion as well as a new record in retail volume for the current year," Norbert Reithofer, Chairman of the Board of Management of BMW AG, said in Munich on Thursday.

As previously announced for the second half of the year, the third quarter was, among other things, characterized by a more moderate retail development resulting from model cycle and base effects. Group revenues diminished slightly by 1.4% to € 11,557 (previous year: 11,721) million. Pre-tax profit increased by 9.4% to € 720 (previous year: 658) million. The pre-tax return on sales reached 6.2% (previous year: 5.6%). Due to an increased tax rate, net profit for the quarter declined slightly by 0.7% to € 452 (previous year: 455) million while earnings per share of common stock rose to € 0.69 (previous year: 0.68/+1.5%).

## **Record result for the year to September**

Over the first nine months of the business year, the BMW Group increased profit before taxes by 34.9% to a new record level of € 3,248 (previous year: 2,407) million. This includes the first-quarter book gain of € 375 million from the partial settlement of an exchangeable bond on shares in the British engine manufacturer Rolls-Royce plc held by BMW AG. In the previous year, earnings were adversely affected by fair value losses on the exchangeable bond option. Even excluding the exceptional gain, the company achieved a considerable growth in earnings of 9.5% to € 2,888 million. Profit after tax rose by 32.5% to € 2,187 (previous year: 1,650) million; revenues grew by 6.2% to € 36,368 (previous year: 34,237) million.

The operating cash flow from industrial operations declined by 23.5% to € 3,998 (previous year: 5,228) million as vehicles were pre-produced prior to the launch of important new models such as the BMW X5, the model update of the BMW X3 and the MINI.

Firma  
Bayerische  
Motoren Werke  
Aktiengesellschaft

Postanschrift  
BMW AG  
80788 München

Telefon  
089/382-24118

Internet  
[www.bmwgroup.com](http://www.bmwgroup.com)

Rolls-Royce  
Motor Cars Limited



Press Release

Date 02 November 2006

Subject BMW Group remains on track for success in third quarter

Page 2

## **External factors continue to affect result situation**

Currency effects and high raw material prices continued to affect the result situation in the reporting period. Among other things, currency burdens could be attributed to more unfavorable hedging rates compared to last year. While the BMW Group mainly had to cope with burdens caused by the US dollar throughout the first half of the year, the third quarter was characterised by a negative impact arising from the Japanese yen.

Despite the fact that external adverse factors are not going to reach last year's high level again in 2006, the BMW Group is continuing to counter these effects with ongoing measures to raise efficiency and productivity. The company expects further positive result contributions from the anticipated retail record as well as from improvements in the model mix. Profit before taxes are thus going to be higher than last year, even excluding the book gain arising from the partial settlement of the exchangeable bond.

## **Slight rise in workforce**

To the end of the third quarter 2006, the number of employees rose slightly. The company currently employs a staff of 107,027 worldwide, up 0.2% from the respective reporting date last year (106,859).

## **Numerous new model releases**

Over the course of the current year, the BMW Group is again launching numerous new models. Deliveries of the new BMW 3 Series Coupe, the model update of the BMW X3 as well as the M6 Convertible started in September. The new X5 as well as a long version of the BMW 5 Series specifically developed for the Chinese market will also be presented this year. Furthermore, the BMW Group will be the world's first automotive manufacturer to launch a hydrogen-powered sedan for everyday use in December. The Hydrogen 7, which is based on the BMW 760i, is going to be available from next year on.

Press Release

Date 02 November 2006

Subject BMW Group remains on track for success in third quarter

Page 3

The first variants of the new MINI generation, the Cooper and Cooper S, are going to be released in November. Rolls-Royce has started the development of a new model series which is to be positioned below the Phantom.

## **Retail volume for the year to September rises to new record level**

During the first nine months of the year, the BMW Group sold more vehicles than ever before, thus underpinning its position as the world's leading automotive manufacturer in the premium segment. Retail volume of BMW, MINI and Rolls-Royce vehicles increased by 3.3% to 1,021,534 units (previous year: 988,463). It was the first time in the company's history that one-million mark for vehicles sold had already been beaten by the end of the third quarter.

For the year to September, deliveries of the BMW brand improved by 5.5% to 874,208 vehicles (previous year: 828,586). The BMW 1 Series managed to strengthen its market position with sales rising by 2.2% to 116,684 vehicles (previous year: 114,188). The core model series – the BMW 3, 5 and 7 Series – also recorded sales increases. Deliveries of the model series with the highest retail volume, the BMW 3 Series, soared by 20.5% to 374,996 units (previous year: 311,324). In terms of retail growth, the bestseller among the 3 Series model range was the Touring variant that almost doubled sales compared to the previous year, to 78,357 vehicles (previous year: 39,329/+99.2%).

By the end of September, 169,595 BMW 5 Series vehicles were sold. Last year's high reference level (166,121) could thus be topped by 2.1%. The BMW flagship, the 7 Series, grew by 8.2% to 36,784 units (previous year: 33,983).

Deliveries of the MINI brand were further slowed down by construction measures at Plant Oxford carried out for the purpose of expanding capacities and setting-up production for the new MINI generation. At 146,851 vehicles delivered to customers, sales remained 7.9% below last year's level (159,413). The new MINI generation is going to be launched in Europe on November 18. At that time, the necessary production capacity will be available to take MINI retail to new record levels.

Press Release

Date 02 November 2006

Subject BMW Group remains on track for success in third quarter

Page 4

Over the first nine months of the year, Rolls-Royce increased Phantom deliveries by 2.4% to 475 automobiles (previous year: 464).

At 79,333 units sold, retail volume of the motorcycle segment remained 1.9% below last year's level (previous year: 80,840) for the year to September.

For the period July to September, deliveries of the BMW Group decreased by 5.5% to 323,064 units (previous year: 341,932) due to the already mentioned model cycle effects as well as the construction measures necessary to increase production capacities at Plant Oxford. During the reporting period, supply of BMW X5 vehicles was limited as a result of the introduction of the successor model on the North-American markets in November. The same was true for the new 3 Series Coupe. Similar effects also applied to the model update of the BMW X3, for which – just like for the 3 Series Coupe – deliveries to customers started on September 23. These models are going to be additional growth drivers in the months to come.

A base effect became noticeable in the third quarter due to the launch of the new 3 Series Sedan in the respective quarter of 2005, which had caused exceptionable growth rates of over 23%.

## **Pre-tax return on sales in the automotive segment remains stable in the third quarter**

In the third quarter, the business development in the automotive segment was again burdened by currency effects as well as rising raw material prices. Given the sales decrease due to model cycles, revenues for the period July to September declined by 5.3% to € 11,088 (previous year: 11,707) million. Profit before taxes dropped by 5.7% to € 611 (previous year: 648) million. Despite ongoing external burdens as well as a decrease in deliveries, the segment's pre-tax return on sales remained stable at 5.5%.

In the first nine months of the year, profit before tax in the automotive business improved by 6.6% to € 2,319 (previous year: 2,175) million while revenues went up by 5.0% to € 35,262 (previous year: 33,572) million. For the year to

Press Release

Date 02 November 2006

Subject BMW Group remains on track for success in third quarter

Page 5

September, the division's pre-tax return on sales rose by 6.6% (previous year: 6.5%).

## **Inconsistent market environment in the motorcycle segment**

In the third quarter of the year, the development of the international motorcycle market remained inconsistent. Deliveries declined slightly by 1.4% to 23,230 units (previous year: 23,533) for the first nine months, resulting in a shortfall of 1.9% compared to the same period last year. Revenues for the motorcycle segment rose by 2.2% to € 278 (previous year: 272) million; pre-tax profit remained stable at the previous year's level of € 4 million. As of September 30, the segment's profit before tax increased by 1.1% to € 89 (previous year: 88) million. As previously announced, the BMW Group expects a rise in retail volume, revenues and earnings for the motorcycle business this year.

## **Financial services business continues to grow**

The financial services business stayed on track for success in the third quarter of the year. For the year to September, the business volume in balance-sheet terms rose by 10.5% to € 42,488 million. In the first nine months of the year, a total of 2,218,336 credit or lease contracts were in place with dealers or retail customers, 10.3% more than one year earlier. The share of new cars leased or financed through the financial services segment stood at 42.2%, thus exceeding last year's level by 1.2 percentage points. Despite more unfavorable refinancing conditions due to the development of interest rates, the segment's profit before tax for the third quarter improved considerably again, by 9.0% to € 182 (previous year: 167) million. In the first nine months of the year, earnings before taxes in financial services rose by 11.9% to € 535 (previous year: 478) million.

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The complete interim report for the year to September can be downloaded under [www.bmwgroup.com/ir](http://www.bmwgroup.com/ir).

# BMW Group Corporate Communications

Press Release

Date 02 November 2006

Subject BMW Group remains on track for success in third quarter

Page 6

		Q3 / 2006	Q3 / 2005	Change in %
<b>Vehicle production</b>				
Automobiles	units	329,143	342,543	-3.9
Motorcycles	units	22,279	20,413	9.1
<b>Vehicle deliveries</b>				
Automobiles	units	323,064	341,932	-5.5
Thereof:				
BMW	units	277,088	290,454	-4.6
MINI	units	45,788	51,299	-10.7
Rolls-Royce	units	188	179	5.0
Motorcycles	units	23,230	23,553	-1.4
<b>Workforce at the end of the quarter</b>				
		107,027	106,859	0.2
<b>Cash flow<sup>1</sup></b>				
	m€	1,372	1,323	3.7
<b>Operating cash flow<sup>2</sup></b>				
	m€	255	1,507	-83.1
<b>Revenues</b>				
	m€	11,557	11,721	-1.4
Thereof:				
Automobiles	m€	11,088	11,707	-5.3
Motorcycles	m€	278	272	2.2
Financial Services	m€	2,703	2,401	12.6
Reconciliation	m€	-2,512	-2,659	-
<b>Profit before tax<sup>1</sup></b>				
	m€	720	658	9.4
Thereof:				
Automobiles	m€	611	648	-5.7
Motorcycles	m€	4	4	0.0
Financial Services	m€	182	167	9.0
Reconciliation	m€	-77	-161	-52.2
<b>Income taxes</b>				
	m€	-268	-203	32.0
<b>Net profit<sup>1</sup></b>				
	m€	452	455	-0.7
<b>Earnings per share<sup>1,3</sup></b>				
	€	0.69/0.69	0.68/0.68	1.5/1.5

<sup>1</sup> Previous year's figures adjusted for new accounting treatment of pension provisions.

<sup>2</sup> In its Group financial statements for 2005, the BMW Group brought the cash flow computation into line with standards normally applied on the financial markets. In addition to the simplified definition of cash flow, as used to date, the BMW Group also discloses the figures for the cash flow from operating activities (operating cash flow), the latter corresponding to the cash flow from industrial operations reported in the cash flow statement.

<sup>3</sup> According to IAS 33 for shares of common and preferred stock.

# BMW Group Corporate Communications

Press Release

Date 02 November 2006

Subject BMW Group remains on track for success in third quarter

Page 7

		9 months 2006	9 months 2005	Change in %
<b>Vehicle production</b>				
Automobiles	units	1,028,949	987,945	4.2
Motorcycles	units	83,350	78,353	6.4
<b>Vehicle deliveries</b>				
Automobiles	units	1,021,534	988,463	3.3
Thereof:				
BMW	units	874,208	828,586	5.5
MINI	units	146,851	159,413	-7.9
Rolls-Royce	units	475	464	2.4
Motorcycles	units	79,333	80,840	-1.9
<b>Workforce at the end of quarter</b>				
		107,027	106,859	0.2
<b>Cash flow<sup>1</sup></b>				
	m€	4,686	4,152	12.9
<b>Operating cash flow<sup>2</sup></b>				
	m€	3,998	5,228	-23.5
<b>Revenues</b>				
	m€	36,368	34,237	6.2
Thereof:				
Automobiles	m€	35,262	33,572	5.0
Motorcycles	m€	1,010	1,013	-0.3
Financial services	m€	8,310	6,919	20.1
Reconciliation	m€	-8,214	-7,267	-
<b>Profit before tax<sup>1,3</sup></b>				
	m€	3,248	2,407	34.9
Thereof:				
Automobiles	m€	2,319	2,175	6.6
Motorcycles	m€	89	88	1.1
Financial services	m€	535	478	11.9
Reconciliation	m€	305	-334	-
<b>Income taxes</b>				
	m€	-1,061	-757	40.2
<b>Net profit<sup>1</sup></b>				
	m€	2,187	1,650	32.5
<b>Earnings per share</b>				
	€	3.33/3.34	2.45/2.46	35.9/35.8

<sup>1</sup> Previous year's values adjusted following the change in reporting pension provisions.

<sup>2</sup> With the Annual Accounts 2005, the BMW Group has aligned the calculation of cash flows with the usual standards of the financial market. In the future, the company is going to show – in addition to the previous, abbreviated cash flow term – also the operating cash flow corresponding to the cash inflow from ordinary activities of industrial operations in the cash flow statement.

<sup>3</sup> Earnings before taxes include a one-off book profit of € 375 million from settling an exchangeable bond on shares of Rolls-Royce plc.

# BMW Group Corporate Communications

Press Release

Date 02 November 2006

Subject BMW Group remains on track for success in third quarter

Page 8

For further questions please contact:

## **Corporate Communications**

Mathias Schmidt, Finance Communication

Telephone: (+ 49 89) 382-24118, Fax: (+ 49 89) 382-24418

Marc Hassinger, Business and Finance Communication

Telephone: (+49 89) 382-23362, Fax: (+49 89) 382-24418

Internet: [www.press.bmwgroup.com](http://www.press.bmwgroup.com)

Email: [presse@bmw.de](mailto:presse@bmw.de)