BMW GROUP

Corporate Communications

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Statement Dr. Friedrich Eichiner Member of the Board of Management of BMW AG, Finance Conference Call Interim Report to 30 June 2012 1 August 2012, 10 a.m.

Ladies and Gentlemen,

Good morning from my side as well! The BMW Group had a successful second quarter as we continued to prepare for the future. Our profitability remains high.

For the first time, we generated revenues of more than 19.2 billion € at Group level in the quarter. Our quarterly earnings before taxes totalled 1.98 billion € and were therefore lower than the same quarter last year, which also included one-off effects in the amount of 464 million €.

The first half-year of 2012 has been our best ever so far – with respect to sales, revenues and – adjusted for one-off effects – with respect to earnings.

The BMW Group continues on its growth track. In the first half of 2012, we hired new staff. We are building up core expertise in our Automotive segment in the key future areas of lightweight construction and alternative drive trains.

Now let's turn to the **Automotive Segment**:

We reported record deliveries of 475,000 vehicles in the second quarter. That growth was driven mainly by the new BMW 1 Series and the new 3 Series Sedan. But also our X3 and X5, the 5 Series and the new 6 Series models were well-received by our customers.

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Our sales continued to develop positively worldwide. The growth came chiefly from our two largest single markets, China and the United States, but also from many emerging markets in Asia, Central and South America.

On the other hand, the economic situation in Europe has further worsened. Our year-on-year sales are lower in a number of European markets. Like our peers, we are facing more competition in those countries as well.

Our sales rose by 5.4 per cent globally. Thanks to higher unit sales, our segment revenues exceeded 17 billion € for the first time. Volume growth and currency effects also had a positive impact on segment earnings.

We achieved an EBIT in the Automotive segment of 2.02 billion € in the second quarter.

Our profitability remains high: 11.6% for both the quarter and the half-year.

As previously announced, we also made up-front investments in future projects – in new technologies and the development of new business fields that will contribute to value creation over the long term. We need these investments in lightweight construction, alternative drive trains and mobility services to maintain our leading position going forward.

We are also systematically preparing the BMW Group to face changing mobility requirements and stricter CO_2 regulations.

Over the full year, we will spend around one billion € of additional future investments in these areas.

The segment generated a strong operating cash flow and a free cash flow of 2.5 billion € in the first six months. We expect this positive trend to continue throughout the rest of the year. We are still aiming for a free cash flow of more than 3 billion €.

Our **Financial Services segment** continues on its growth track. Financial Services profited from our sales growth in the second quarter. The segment is still reaping the benefits of the more defensive residual values we set in previous years and the lower volume of off-lease vehicles.

Financial Services concluded more than 346,000 leasing and financing contracts with retail customers in the second quarter. This represents a year-on-year increase of 10%. The main gains were in the Europe/Middle East and Asia/Pacific regions. The growth in Europe is mainly due to the acquisition of ING Car Lease.

At the end of the second quarter, the total number of contracts in place had reached 3.69 million. This also includes ING Car Lease contracts.

Our fleet management company, Alphabet, has pushed ahead with the integration of ING Car Lease. The process has now been completed in a number of European markets, such as the Netherlands, Spain and Belgium. Alphabet continues to expand its market position. This subsidiary is now the fourth-largest European fleet management company.

The BMW Group once again had access to attractive financing conditions on the international finance markets. This also benefited our financial services business.

Financial Services generated a pre-tax profit of 431 million € in the second quarter. This includes a positive one-off effect of 35 million € from end-of-lease business. Year-on-year earnings were lower overall, because of the one-off effect of 379 million € we reported last year.

However, adjusted for this one-off effect, segment earnings were around 10% higher than last year.

The Financial Services Segment provided leasing or financing for 38.7% of new BMW Group vehicles in the second quarter. This rate is slightly lower than last year. This is due to China's rapidly growing market – and the fact that the penetration rate is still relatively low in China.

The risk situation remained largely unchanged in the second quarter. As expected, credit risks were stable, although the situation in Southern Europe is still difficult. We do not expect to see any improvement in this area in the short term.

In addition, the residual values of our off-lease vehicles remained stable in the second quarter.

Used-car prices have weakened somewhat in a number of European markets, especially in Southern Europe. We also expect to see a more volatile and more uneven market performance in the second half of the year, and we have accrued adequate risk provisions to cover potentially higher residual value losses.

Let's move on to our **Motorcycles segment**: We delivered more than 37,000 BMW and Husqvarna motorcycles to customers in the second quarter. Sales volumes were lower than last year, owing to market developments in Southern Europe.

We did, however, report growth in Brazil and the US, as well as Japan, France and Germany. Due to lower volumes, revenues declined to 410 million € in the second quarter. However, our EBIT at Motorrad at the end of the quarter was still higher, at 48 million €.

In the second half of the year, we expect to see an upward trend with the market launch of new BMW scooter models and the new Husqvarna models, the TR 650 Strada and the TR 650 Terra. This should have a corresponding impact on segment revenues and earnings.

We remain cautiously optimistic about the second half of the year: the BMW Group has a young and attractive model line-up on the market.

We expect sales to receive a further boost in the second half of 2012: Attractive new models like the new 7 Series Sedan, the 3 Series Touring and the 3 Series Sedan with x-Drive will strengthen our sales volumes. The revised X1 will be coming onto the US market, and locally-produced X1 models and the 3 Series Sedan Long-Wheelbase Version are now in showrooms in China.

We will benefit from this attractive product momentum over the coming months.

The BMW Group is preparing intensively for the future: The upcoming BMW i models will revolutionise automotive engineering and the industry as we know it. This year, as previously announced, we will be making major upfront investments of an additional roughly one billion €. We have the financial strength to shoulder these investments in our future.

The economic environment may worsen further in the second half of the year. In particular, we recognize two risks: a further weakening situation in Europe as well as potentially slower growth in China. Both could increase competition. Volatility in the markets is expected to remain high.

For that reason, we remain cautious, and continue to monitor developments. If conditions change more than anticipated, we have the flexibility to respond decisively. All the same, even with countermeasures, we cannot completely rule out a possible negative impact on earnings.

We are maintaining our guidance – assuming conditions do not worsen significantly – and targeting record sales for all three premium brands. We are aiming for higher year-on-year earnings at Group level and in the Automotive segment. The EBIT margin in the Automotive segment should be at the upper end of our 8-10% target range.

We also intend to achieve returns on this scale on a sustained basis and hence beyond the year 2012. However, depending on political and economic developments, the actual EBIT margin could end up being above or below the targeted range.

We expect to see a positive business development in the Financial Services segment, despite higher volatility. Our contract portfolio should continue to grow. We are targeting a return on equity of more than 18%.

We will maintain our solid, forward-looking financial management – focusing the BMW Group on long-term profitability and growth. The key objectives of our corporate strategy define the guidelines for our on-going business development.

And now, Ladies and Gentlemen, we would be glad to take your questions.

Thank you.