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4 August 2009

BMW Group: Second-quarter EBIT of euro 169 million

Reithofer: Good progress with financial and cost management

Lasting economic recovery not yet in sight

Munich. The BMW Group recorded positive earnings in the second quarter 2009 despite the weak state of the global economy. "Our foresighted financial and cost management strategies are paying off", stated the Chairman of the Board of Management of BMW AG, Norbert Reithofer, on Tuesday in Munich. As with all companies operating in the automobile sector, however, the BMW Group still faces difficult business conditions. "Despite some tentative positive signals, a lasting and wide-ranging recovery is not yet in sight", continued Reithofer.

The combined effect of the financial and economic crisis on consumer spending on major sales markets and intense competition in the automobile sector is significantly affecting the performance of the BMW Group. Second-quarter revenues decreased to euro 12,971 million (second quarter 2008: euro 14,552 million) as a result of the drop in sales volumes. The BMW Group reports a profit before financial result (EBIT) of euro 169 million (second quarter 2008: euro 425 million). The profit before tax declined to euro 151 million (second quarter 2008: euro 602 million), while the profit after tax amounted to euro 121 million (second quarter 2008: euro 507 million).

Revenues for the six-month period fell to euro 24,480 (first half-year 2008: euro 27,837 million). The Group reports a six-month EBIT of euro 114 million (first half-year 2008: euro 1,252 million) and a loss before tax of euro 47 million (first half-year 2008: profit before tax of euro 1,243 million). The loss after tax was euro 31 million (first half-year 2008: profit after tax of euro 994 million).

The BMW Group was again able to assert its position in the face of generally difficult economic conditions. In this situation, further progress was made in the area of cost management, contributing amongst other things to lower personnel expenditure. Efficiency improvements also had a positive impact.

During the period from April to June, the BMW Group was also able to reduce the Automobiles segment's inventory and working capital levels. "We managed to generate a positive free cash flow of euro 516 million for the first half of the year", pointed out Reithofer. In total, the BMW Group's liquidity increased to euro 11.9 billion at the end of the quarter.

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Market climate remains highly volatile / impetus created by new models

Due to the highly volatile state of the markets and uncertainty with regard to future economic developments, it is not possible at present from the BMW Group's perspective to give a forecast for earnings in 2009. At a sales volume level, the forecast is still for a short-fall compared to the previous year's high level. Deliveries to customers in the second half of the year are, however, expected to stop the downwards trend registered in the first six months of the year.

Several new models are being launched over the course of the year which will help to boost the sales volume performance. The new BMW 7 Series is now available worldwide. A four-wheel-drive version of the 7 Series will come onto the markets in autumn. The new BMW Z4 was launched in parallel in May. Both of the new models have received a very positive response from customers. The X1 and the 5 Series Gran Turismo will also be introduced to the markets during autumn. The M versions of the BMW X5 and the BMW X6 will be launched in summer.

From 2010 onwards, it is expected that the renewed product range will provide further impetus for business. This trend should be fuelled further between 2010 and 2012 when the new versions of high-selling models come onto the markets. For the year 2012, the BMW Group continues to target a return on capital employed (ROCE) of more than of 26% and an EBIT margin of between 8% and 10% for its Automobile segment.

Focus on sustainability and new technologies

The BMW Group set a new strategic course back in 2007 with the adoption of its "Number ONE" Strategy and remains focused on implementing that strategy. All measures and activities currently being undertaken are aimed at future sustainability. "We are pooling technical and financial resources in the areas of sustainability and the development of new technologies", emphasised Reithofer. "The BMW Group is the world's leading premium manufacturer in the automobile industry and, in our opinion, "premium" should lead by example. From our perspective, this creates a special accountability for the company, its products, its social commitment and the premium business model that we pursue", continued Reithofer.

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Weak economy hits earnings of Automobiles segment

Similar to developments throughout the automobile sector, the BMW Group's second-quarter sales volume figures were adversely impacted by the weak state of the world's economies. The rate of decrease in sales volume did, however, slow down compared to the first quarter. Total sales of BMW, MINI and Rolls-Royce brand cars during the three-month period from April to June fell by 18.1% to 338,190 units (second quarter 2008: 413,087 units). Sales of BMW brand cars decreased by 18.6% to 280,093 units (second quarter 2008: 344,019 units). The number of MINI brand cars sold fell by 15.7% to 57,942 units (second quarter 2008: 68,756 units). 155 Rolls-Royce motor cars were sold during the period (second quarter 2008: 312 units / -50.3%).

In total, 615,454 (first half-year 2008: 764,874 / -19.5%) BMW, MINI and Rolls-Royce cars were sold during the first six months of the year, enabling the BMW Group to maintain its position as the leading premium manufacturer worldwide. The BMW brand increased its share of the premium segment by 0.6 percentage points to 21.1%. Sales of BMW brand cars decreased by 19.4% to 513,591 units (first half-year 2008: 637,569 units). The number of MINI brand cars sold fell by 19.9% to 101,534 units (first half-year 2008: 126,810 units). 329 Rolls-Royce motor cars were sold during the period under report (first half-year 2008: 495 units / -33.5%).

Second-quarter revenues and earnings of the Automobiles segment were adversely impacted by the steep drop in sales volumes in the wake of the global economic crisis and the intense competition in the automobile sector. The segment reports a negative EBIT of euro 31 million (second quarter 2008: positive EBIT of euro 395 million) and a loss before tax of euro 158 million (second quarter 2008: profit before tax of euro 325 million). Revenues fell to euro 10,827 million (second quarter 2008: euro 13,754 million). Revenues of the Automobiles segment for the six-month period fell to euro 20,432 million (first half-year 2008: euro 25,916 million). The segment reports a negative EBIT of euro 282 million (first half-year 2008: positive EBIT of euro 1,014 million) and a loss before tax of euro 629 million (first half-year 2008: profit before tax of euro 864 million).

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Sales volume decrease for BMW Motorcycles in second quarter

The difficult climate on the world's markets was also felt by the Motorcycles segment. The BMW Group sold 29,742 motorcycles during the second quarter, 14.7% fewer than one year earlier (second quarter 2008: 34,886 units). Revenues fell to euro 336 million (second quarter 2008: euro 392 million). Segment EBIT declined to euro 26 million (second quarter 2008: euro 56 million), while the profit before tax was down to euro 24 million (second quarter 2008: euro 53 million). Segment revenues for the six-month period fell to euro 626 million (first-half year 2008: euro 737 million) with EBIT decreasing to euro 54 million (first-half year 2008: euro 92 million). The Motorcycles segment reports a profit before tax of euro 50 million (first-half year 2008: euro 87 million).

The BMW Group continues to expand its motorcycle model range: the new F 800 R has been available since May and the road version S 1000 RR will come onto the markets at the end of the year.

Financial Services segment earnings improved

The Financial Services segment performed well during the period under review within a difficult business environment. Segment revenues increased to euro 4,224 million (second quarter 2008: euro 3,877 million). The profit before tax improved to euro 81 million (second quarter 2008: euro 64 million). Revenues for the six-month period increased to euro 8,227 million (first half-year 2008: euro 7,734 million) while the profit before tax edged up to euro 153 million (first half-year 2008: euro 148 million).

The total volume of all financing and leasing contracts signed with retail customers during the first half of the current year amounted to euro 12,023 million, a decrease of 18.7% compared to the same period one year earlier. Despite the general decrease in new business during the period under report, the number of contracts actually increased overall, with retail customer contracts at the period end up by 9.0% to 2,798,668 units. The proportion of new cars of the BMW Group financed or leased by the Financial Services segment was 47.0%, 0.6 percentage points above the proportion recorded one year earlier. The proportion for the financial year 2008 had been 48.5%.

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Workforce reduced

The number of employees decreased further during the period under review. The BMW Group workforce comprised 98,261 employees worldwide at the end of the second quarter 2009 (30 June 2008: 106,027 employees), representing a 7.3% decrease on a year-on-year basis. Compared to 31 December 2008, the number of employees was decreased by 1.8%.

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The full Interim Report to 30 June 2009 is available for download at www.bmwgroup.com/ir.

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The BMW Group – an Overview

		2nd quarter 2009	2nd quarter 2008	Change in %
Vehicle production				
Automobiles	units	306,009	413,711	-26.0
Motorcycles ¹	units	21,152	31,972	-33.8
Deliveries to customers				
Automobiles	units	338,190	413,087	-18.1
Thereof:				
BMW	units	280,093	344,019	-18.6
MINI	units	57,942	68,756	-15.7
Rolls-Royce	units	155	312	-50.3
Motorcycles ²	units	29,742	34,886	-14.7
Workforce at end of quarter				
		98,261	106,027	-7.3
Operating cash flow³				
	euro million	987	1,320	-25.2
Revenues				
	euro million	12,971	14,552	-10.9
Profit before financial result (EBIT)				
	euro million	169	425	-60.2
Thereof:				
Automobiles	euro million	-31	395	-
Motorcycles	euro million	26	56	-53.6
Financial Services	euro million	75	39	92.3
Other Entities	euro million	26	88	-70.5
Eliminations	euro million	73	-153	-
Profit before tax				
	euro million	151	602	-74.9
Thereof:				
Automobiles	euro million	-158	325	-
Motorcycles	euro million	24	53	-54.7
Financial Services	euro million	81	64	26.6
Other Entities	euro million	18	342	-94.7
Eliminations	euro million	186	-182	-
Income taxes				
	euro million	-30	-95	68.4
Net profit				
	euro million	121	507	-76.1
Earnings per share⁴				
	euro	0.18/0.19	0.77/0.78	-76.6/-75.6

¹ including G 650X assembly by Piaggio S.p.A., Noale, Italy, excluding Husqvarna Motorcycles (1,993 units).

² excluding Husqvarna Motorcycles (2,907 units)

³ Automobiles segment

⁴ for common/preferred stock in accordance with IAS 33.

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		1 January to 30 June 2009	1 January to 30 June 2008	Change in %
Vehicle production				
Automobiles	units	573,646	819,306	-30.0
Motorcycles ¹	units	50,263	60,561	-17.0
Deliveries to customers				
Automobiles	units	615,454	764,874	-19.5
Thereof:				
BMW	units	513,591	637,569	-19.4
MINI	units	101,534	126,810	-19.9
Rolls-Royce	units	329	495	-33.5
Motorcycles ²	units	46,974	55,932	-16.0
Workforce at end of quarter				
		98,261	106,027	-7.3
Operating cash flow³				
	euro million	2,109	2,383	-11.5
Revenues				
	euro million	24,480	27,837	-12.1
Profit before financial result (EBIT)				
	euro million	114	1,252	-90.9
Thereof:				
Automobiles	euro million	-282	1,014	-
Motorcycles	euro million	54	92	-41.3
Financial Services	euro million	145	118	22.9
Other Entities	euro million	38	124	-69.4
Eliminations	euro million	159	-96	-
Loss/profit before tax				
	euro million	-47	1,243	-
Thereof:				
Automobiles	euro million	-629	864	-
Motorcycles	euro million	50	87	-42.5
Financial Services	euro million	153	148	3.4
Other Entities	euro million	42	337	-87.5
Eliminations	euro million	337	-193	-
Income taxes				
	euro million	16	-249	-
Net loss/profit				
	euro million	-31	994	-
Earnings per share⁴				
	euro	-0.05/-0.04	1.52/1.53	-

1 excluding Husqvarna Motorcycles (4,117 units).

2 excluding Motorcycles (4,867 units).

3 Automobiles segment

4 for common/preferred stock in accordance with IAS 33.

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