

Speech by

Dr Norbert Reithofer

Chairman of the Board of Management of BMW AG

Start of Production of the new MINI

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Chancellor, Your Excellency, Ladies and Gentlemen –

Thank you very much for joining us at today's press conference. I am very happy to be in the UK on this first business trip abroad as the new Chairman of the Board of Management of BMW AG.

Delivering a speech here in the UK is something very special to me as this is the only country in the world where the BMW Group has production sites for all our premium brands: BMW, MINI and Rolls-Royce. Two of them are of British origin – Rolls-Royce Motor Cars at Goodwood, and MINI here at Oxford. Both brands have a rich heritage, and we have a strong sense of commitment and pride for them.

And we are successful in the UK – not only in terms of production, but also in sales:

- With more than 45,000 MINI's sold in 2005, the UK is our leading market for MINI worldwide.
- For Rolls-Royce the UK is our second largest market.
- And with an annual retail volume of over 117,000 BMW automobiles in 2005, the UK is our third largest market for BMW worldwide.

I will focus on three key messages:

- First: The BMW Group benefits from an investor-friendly economic environment in the UK. In return, we are a strong partner for the UK economy regarding employment, purchasing power and our long-term investment policy.
- Second: Today we are celebrating the start of production of the new MINI. This brand is a success story which will continue with increasing momentum.
- And Third: We have set up a MINI Production Triangle between Hams Hall, Oxford and Swindon. We have invested nearly 200 million pounds to build the new model and to significantly increase production capacity from 200,000 to 240,000 vehicles.

Ladies and Gentlemen –

First about the role of the BMW Group as a partner for the UK economy.

I am very pleased that the Chancellor is here today. We were both here for the start of production event for the MINI in 2001. I assume you want to have a look at how we spent the money we invested here. I can assure you: we spent it in the right way!

When you became Chancellor in 1997, you announced your goal to develop an economy that would encourage investment in the UK, higher productivity and exports.

- Business leaders need economic stability when taking mid-term and long term investment decisions, especially in our industry where it takes a while until investments start to pay off. Chancellor, your handling of the economy has ensured the stability we need, providing the right environment for us to develop our business in the UK.
- We have not only invested in the latest technology but also in the skills of our workforce to improve process efficiency and productivity.
- And today, we export around 70 percent of our MINI production to over 70 countries.

According to an independent economic impact study, the BMW Group's operations contribute significantly to the British economy:

- on the product side with sales of cars, motorcycles and engines totalling more than 5 billion pounds,
- on the production and purchasing side – as third largest automotive manufacturer in the UK – with another two billion pounds.

My second message today is the success story of MINI. In July 2001, we introduced the first and still the only premium vehicle in the small car segment. The car incorporates the heritage of the brand. At the same time, it stands for a premium product substance, safety features, and the typical go cart feeling.

The MINI has been a great success for the BMW Group from the very beginning. I remember third party estimations of 100,000 cars per year – 100,000: this is exactly the volume we sold in the first half of 2006.

MINI is among the few cars that have not shown any decrease in orders even in the sixth year of production. Today, one out of seven vehicles delivered by the BMW Group is a MINI. We want to continue and, of course, increase the success of MINI with its successor. With the new model, we are presenting a thoroughly redesigned power train and a completely new engine. The MINI Cooper is powered by a 1.6 litre four-cylinder petrol engine with 120 horsepower, and the MINI Cooper S by a 1.6-litre turbo engine with 175 horsepower – both built at Hams Hall. We had to meet the enormous demand for MINI by increasing our production capacity and optimising our efficiency. And this leads me to my third topic: We have set up a MINI Production Triangle.

- The first point of this triangle is Plant Hams Hall. We shifted production to the UK from a joint venture in Brazil and have added the new MINI engines to the existing production of BMW four-cylinder petrol engines.
- The second point of the triangle is Oxford. We are expanding the production capacity from 200,000 units last year to 240,000 in the medium term. At the same time, we gain more flexibility. Our built-to-order flexibility – responding quickly to customers' changes in the configuration of their MINI – is currently unrivalled in the small car segment. This is one of the BMW Group's inherent strengths.
- The third point of the triangle is Swindon. This plant has taken responsibility for MINI pressing and sub assembly technologies. The plant is building on its expertise of producing outer surface body panels for 50 years.

Let me compile the facts about the new MINI Production Triangle:

- We have invested nearly 200 million pounds in the triangle and the production of the new MINI.
- We have increased production capacity by up to 20 percent.
- We have introduced new flexible shift models allowing for up to seven working days and up to 140 hours production time per week.
- And the number of employees will rise by 450 to a total of 6,800 as production nears maximum capacity.

Our purchasing strategy for MINI has resulted in substantial benefits for the UK economy by sourcing key, large-scale components – known as modules – from within the UK.

- Three major suppliers have set up new operations to be within one hour's distance of the Oxford plant, investing in communities and creating new jobs.
- For the new MINI, components provided by UK based suppliers have risen to 60 percent.

We are often asked: Why is the BMW Group so successful – worldwide as well as here in the UK? Why do we succeed in operating profitably here? It is our policy not to comment on competitor's business plans or on their operations. I'd rather point out our own strengths:

- the clear profile of our three premium brands,
- our focussed strategy,
- our outstanding products,
- lean production
- And our exceptional flexibility.

And one of our key strengths is our highly committed and flexible workforce: business is people.

Ladies and Gentlemen – in conclusion:

- The UK is an attractive business location for the BMW Group, and we benefit from a stable economic environment.
- The UK is the “home of the MINI” which meanwhile developed to a global brand. And we will continue to build on the brand's strength even more.
- And our MINI Production Triangle investment in the UK will significantly increase MINI production capacity and flexibility.

Ladies and Gentlemen – Thank you for listening.