

BMW Group Corporate and Governmental Affairs

Media Information
4 November 2008

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Statement by Dr. Norbert Reithofer Chairman of the Board of Management of BMW AG Conference Call Interim Report to September, 30th 2008 4 November 2008

Ladies and Gentlemen,

Once again: I would like to welcome you to our telephone conference.

The international financial crisis has gained further momentum in the third quarter and has now hit the real economy with full force.

However, what is important:

- The BMW Group is prepared to meet these challenges head on.
- The BMW Group remains a strong performing company with a solid foundation.
- These qualities enable us to weather effectively such stormy conditions and continue to invest in our future.

Despite the fact that this situation exceeds anything we have ever seen before, I would like to emphasize here:

This is not the first challenging situation for our company. Just think of the oil crisis in 1973, the weak market during 1992 and 1993, or the Rover sale.

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Times like these have made our company what it is today. After such challenging times, there is a period of renewed growth.

Today, however, we have a major advantage:

We have initiated specific actions early on. And these measures are set to pay off in the short and long term, making us a leaner, more efficient and more effective company.

Today, I would like to concentrate on the following:

1. Given the current situation, what are BMW Group's targets?
2. What actions are we taking right now?
3. Which solutions do we offer in the field of individual mobility for the future that will help us ensure our long-term success and growth?

First: What are our targets?

In light of the tense situation on the global auto markets, the business development for the year 2008 can not be forecast at present. But one thing is clear:

- Group sales will not exceed last year's record level.
Two of our three premium brands - MINI and Rolls-Royce - are growing. Accordingly, we will not be able to reach the planned return on sales of 4 percent for the Group and an EBIT of close to 4 percent in the automobile segment. We might have to increase risk provisions once more in the fourth quarter to prepare for a more long-term weakness in the market.

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Fact is: We will achieve a positive Group result for the business year 2008. Nevertheless, at present we are not able to give you an exact figure.

Now let's turn to our long-term targets:

- Our goal to achieve a return on sales of 6 percent on Group level in 2010 remains unchanged. EBIT in the automobile segment is set to be at least 6 percent - obviously based on a market upturn.
- We also confirm our long-term strategic targets for the year 2012 which have been determined by our strategy Number ONE. We are talking about a return on sales of 8 to 10 percent and a return on capital employed of over 26 percent in the automobile segment. Our efforts to enhance efficiency and effectiveness are starting to take hold. We have an extremely attractive product portfolio for the next few years — also with regard to new drive systems.

So where do we stand today, following the first nine months of the year?

- As per September, we increased sales by 1.7 percent. In a declining market environment, we managed to sell more than 1.1 million cars worldwide - more than any of our competitors. This shows how popular our products are - thanks to their innovative technologies and high quality.
- Despite the enormous additional burdens arising from the current economic situation and hesitant consumer spending, Group revenues stood at € 40.4 billion - matching last year's high level. Adjusted for currency changes, Group revenues would have risen by 5.1 percent.

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- External factors had a significant negative impact on our pre-tax profit on Group level. In the first nine months of the year, we recorded a decline by 43.3 percent to € 1.52 billion year on year.

Mr. Eichiner will tell you more about the business development in the third quarter later.

Now let's turn to my second point:

What actions are we taking right now?

We are cutting costs:

- Between June and September, our research and development expenditure decreased 5.1 percent from last year—without jeopardizing our lead in innovation. We are today much more efficient. We also invested heavily in new technologies at an earlier stage.
- We also achieved a considerable reduction in marketing and administrative costs - adjusted for the additional expenses for employee compensation payments. This applies both to the third quarter and the first nine months of this year.
- In total, we improved our fixed-cost position compared with last year.

In addition, we have set up specific activities to cut HR expenses.

At present, we are negotiating with the employee representatives about voluntary fringe benefits exceeding general pay. Our goal is to establish a stronger tie between employees' pay and the company's overall performance.

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The following initial results have been achieved:

- Due to the lower operating earnings, we will reduce the profit sharing bonus for the business year 2008 from the 2007 level. In the future, calculation of these voluntary benefits will be based more strongly on performance indicators. This will add a significant contribution to our earnings, and therefore, greater entrepreneurial spirit will continue to pay off for our associates. From 2009 onwards, a new calculation model will also be applied to the Christmas bonus.

Our current personnel reductions are proceeding as planned.

Compared to the end of 2007, we have reduced BMW Group headcount by 3,689 employees.

This figure includes 1,778 Cirquent staff. As previously announced, we sold 73 percent of our shares in the IT consulting firm Cirquent to Japan-based NTT Data.

The number of termination agreements concluded by the end of September stands at almost 2,700, thereof 2,200 in Germany. 2,400 of the 2,700 employees will have left the company by the end of the year.

The previously announced personnel reduction of 3,100 permanent staff and 5,000 temporary employees will be reached by the end of the year. This sum does not include Cirquent staff.

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Despite the difficult situation, we remain committed to our social responsibility principles.

As one of the world's most admired companies, we will continue to offer high-quality training to young people.

In 2009, we will hire more than 1,100 apprentices, 1,080 of them in Germany. This is a clear investment in the future. It is also our commitment in providing skilled labor for the community.

We have also taken action in the production early on.

Customers are buying fewer cars - and this is true for all market segments. It makes absolutely no sense to produce for stock only instead we are taking quick and effective actions in this area:

- About 15,000 cars from the United States being reallocated to other markets with stronger profit margins.
- As you know, we planned to reduce our production by 25,000 units. We find it necessary to cut at least 40,000 units more from our initial production plan for 2008. Our highly flexible production network with its flexible working time accounts gives us room to maneuver.

All these activities show that profitability is our top priority. Earnings are more important than a mere growth in numbers.

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All our actions are based on careful consideration and foresight. It does not make sense to build up stocks which are bound to reduce our revenues later on. We also have a commitment to our dealerships and the well-being of the company.

But there is another aspect towards improving profitability: We are reviewing all product projects again.

And we thus have decided that there will not be a series model of the Concept CS.

A recent analysis has shown that:

- First: Despite the great feedback this car has achieved so far, it does not match our ambitious profitability targets.
- Second: Our three premium brands have a strong brand image all around the world. This has been proven, for instance, by the latest Brand index analysis. So for the time being, we can do without this “brand shaper” since we have many others in our portfolio.
- Third and most important is that we want to focus our resources primarily on future projects and new technologies. In other words: Currently, our top priorities are EfficientDynamics and project i.

Our financial services business has also responded to the changing business situation:

- We have taken out additional provisions against residual value and credit risks in the first and second quarters of the year.
- And we have shifted our focus from leasing to financing.

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But fact remains:

Customers will continue to demand leasing offers. We stand to benefit from EfficientDynamics in the medium term. For when these cars return, the residual values of these pre-owned cars will prove more stable than any of our competitors' cars - thanks to our technological lead.

As you can see, we are taking action and at the same time, we are setting the course for our future success.

This brings me to my third point:

Which solutions for individual mobility do we offer to secure our future?

Our priorities are clear:

- First: Our competitive advantage in the field of efficient premium vehicles continues to pay off:
 - In Germany, our sales volume rose by 0.6 percent for BMW and 7.8 percent for MINI, compared with the third quarter of 2007.
 - In France, we posted an increase of 5 percent for BMW and 12 percent for MINI - despite or maybe because of increasingly strict carbon regulations.
 - In China, we also grew during the third quarter - by 35 percent for BMW and 24 percent for MINI.

- Second: We have a highly attractive model portfolio that continues to set trends while meeting our customers' ever-increasing demands:
 - On September 20, we launched the revised BMW 3 Series Sedan and the 3 Series Touring.

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- The BMW X6 has been available for half a year now. This car is exceeding all expectations. Demand is high, particularly in the US, in Italy, Germany and the Middle East. It underlines BMW's ability to create a new segment successfully.
- The new BMW 7 Series is due out in Europe this month. Initial feedback at the international media presentation in Dresden was more than positive - outstanding.
- And let me add a third point: We are offering new technologies and drive concepts:
 - In 2009, two BMW hybrid models will reach series maturity - the BMW 7 Series and the X6.
 - At the Paris Motor Show, we presented the BMW Concept X1 and the MINI Crossover Concept - two cars that demonstrate how we will expand our model portfolio in the future.
 - And at the Los Angeles Auto Show in mid-November, we are going to present the electric MINI with a reach of 240 kilometers and a charging time of only two to two and a half hours. The initial 500 MINI Es will be delivered to the US market. However, we are currently evaluating whether to launch the MINI E in Europe as well.

Another important step is our so-called Mega City Car that will be offered with two different drive systems - an all-electric powertrain and a highly efficient combustion engine.

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Ladies and Gentlemen -

We cannot foresee the full extent of the international financial crisis and its duration yet.

However, all of us need to remain calm and not constantly fuel people's fears even further.

There is also a lot of debate about what governments should do to improve the situation.

As we see it, the top priority should be taking a few crucial decisions - and doing so quickly:

- Number one: To define realistic carbon requirements for Europe with a timeframe that can be synchronized with product lifecycles.
- Number two, and this applies to Germany in particular: To determine reliable conditions for a carbon-based motor tax. This move could calm down the market and strengthen customer confidence.
- And number three: To strengthen instruments that promote research and the development of innovations on the national and European levels. To this end, it will be crucial to avoid distorting competition and to focus on technologies for sustainable individual mobility.

Strategy Number ONE is our compass to the year 2020.

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We remain confident that:

- We will achieve a positive Group result in 2008 despite the challenging market conditions.
- We are making progress in all areas concerning our Strategy. And we have improved our performance on an operational level.
- We remain committed to our long term targets for 2010 and 2012.

We have proved time and again that we are a strong company. In the current situation, we have shown once more that we have the right measures in place and that we are acting resolutely.

In the long term, this will clearly benefit the BMW Group.

Thank you.