BMW Group
Corporate and Governmental Affairs

Media Information
18 March 2009

BMW Group confirms long-term targets
Numerous measures to secure growth and independence
Liquidity, free cash flow and working capital have priority
Group earnings affected by financial and economic crisis
No reliable forecasts possible for 2009

Munich. Despite the current challenging economic times, the BMW Group is confirming the long-term targets set out in its Strategy Number ONE. “2009 will be a transitional year for which we cannot yet make any reliable forecasts. Nevertheless, our long-term profitability targets for 2012 remain intact. We want to preserve the independence of the BMW Group,” stated Chairman of the Board of Management of BMW AG Norbert Reithofer at the Annual Accounts Press Conference in Munich on Wednesday.

The BMW Group’s current assumption is that sales volumes will decrease by 10 to 20 percent in automotive markets over the course of 2009. Reithofer expects the economy to pick up in 2010: “At that point we will also gain additional momentum from our renewed product range. The ramp-up of our highest-volume models between 2010 and 2012 will reinforce this trend.”

The company previously forecast a Return on Capital Employed of 26 percent and a return on sales of 8 to 10 percent based on EBIT in the Automobiles segment for the year 2012. In order to meet these targets and to mitigate the impact of the current economic situation as much as possible, the BMW Group responded quickly over recent weeks and months by introducing numerous measures that focus on the company’s financial stability and innovative strength.

The BMW Group believes a sound financial footing is what assures the company its freedom of action. That is why the company is giving priority to liquidity, free cash flow and working capital as well as fixed costs and capital expenditure. The BMW Group has worked consistently on its cost structures and continued to improve efficiency.

Company
Bayerische
Motoren Werke
Aktiengesellschaft

Postal Address
BMW AG
80788 München

Telephone
089/382-24118

Internet
www.bmwgroup.com

The innovative strength of the BMW Group is expressed in the innovative, ground-breaking and attractive products which are in demand among customers today, and will also be in demand in the future. The company leads the entire automotive industry in the reduction of CO_2 emissions. With an average of 156 grams CO_2 per kilometre, the BMW Group's fleet in the EU has much lower emission figures than any other premium manufacturer. Fuel consumption fell 27 percent between 1995 and 2008. No other manufacturer has reduced CO_2 emissions by more than the BMW Group.

Substantial improvements at operating level in 2008

The BMW Group's performance held up well under difficult market conditions during the 2008 financial year. The company was able to make improvements at an operating level, although the economic climate had a strong impact on the BMW Group's reported figures for the year. As a result of additional provisions for residual values caused by the weak used car markets, liabilities (euro 1,968 million in total) and one-time personnel expenses of euro 455 million, earnings were reduced by exceptional expenses amounting to euro 2,423 million.

The profit before financial result (EBIT) of the BMW Group fell accordingly to euro 921 million in 2008 (2007: euro 4,212 million/-78.1%). The profit before tax was euro 351 million (2007: euro 3,873 million/-90.9%) while the net profit came in at euro 330 million (2007: euro 3,134 million /-89.5%). Group revenues fell relatively moderately to euro 53,197 million (2007: euro 56,018 million/-5.0%).

Adjusted EBIT margin of 6.3% in the financial year 2008

Adjusted for the exceptional expense for risk provision and personnel costs referred to above, EBIT would have been euro 3,344 million and the EBIT margin would have been 6.3%. Unadjusted, the EBIT margin in 2008 was 1.7%.

High level of exceptional expense recorded in the fourth quarter

The expense recorded in the fourth quarter 2008 for the exceptional items referred to above totalled euro 1,128 million, comprising euro 931 million for risk provisions and euro 197 million for one-off personnel expenses. The negative fourth-quarter EBIT was euro 718 million (fourth quarter 2007: positive EBIT of euro 1,308 million). Net of these exceptional items referred to, the Group would have reported positive EBIT of euro 410 million. Fourth-quarter revenues fell by 18.2% to euro 12,772 million (2007: euro 15,606 million).

Fixed costs reduced / greater savings planned for costs of material

The BMW Group made good progress in 2008 at an operating level, which is reflected in reduced fixed costs and substantial cost savings in the area of purchasing. “We have set ourselves the task, by 2012, of surpassing the euro 4 billion of material cost reductions targeted in conjunction with the strategy Number ONE”, announced Reithofer.

Group liquidity strengthened

In addition, the BMW Group’s liquidity was further strengthened in 2008, despite the turmoil on the capital markets. Holdings of cash funds and marketable securities increased by 86.3% to euro 8,107 million (2007: euro 4,352 million). The net interest-bearing assets in the Automobiles segment increased to euro 9,046 million, compared to euro 7,354 million in 2007. The Group has therefore been able to start the new business year with a very solid financial position.

“We prepared ourselves early on and swiftly for severe business conditions, for example by taking immediate steps to bring production volumes into line with lower demand, and thus enabling us to further optimise working capital. This is also reflected in reduced inventory levels“, emphasised Reithofer. With a negative figure of euro 81 million, the BMW Group was almost able to achieve a break-even free cash flow in 2008 in its Automobiles segment.

Dividend in line with earnings performance

As a result of decreased earnings, the Board of Management and the Supervisory Board will propose to shareholders at the Annual General Meeting on 14 May 2009 that a dividend of euro 0.30 (2008: euro 1.06) be paid on each share of common stock and of euro 0.32 (2008: euro 1.08) on each share of preferred stock. “We want to pay a dividend even in difficult economic times, demonstrating both the confidence we have in our operating strength and the interest in our shareholders“, emphasised Reithofer.

EBIT of Automobiles segment down to euro 690 million

The Automobiles segment profit for 2008 was severely affected by the increased risk provision for residual value risks and measures to reduce the size of the workforce, totalling euro 1,363 million. EBIT fell by 80.0% to euro 690 million compared to euro 3,450 million one year earlier. The profit before tax fell to euro 318 million (2007: euro 3,232 million /-90.2%). Revenues generated by the Automobiles segment totalled euro 48,782 million (2007: euro 53,818 million /-9.4%). Adjusted for the exceptional items discussed above, the segment EBIT would have been euro 2,053 million. This would be equivalent to an EBIT margin of 4.2% (2007: 6.4%). Unadjusted, the segment EBIT margin in 2008 was 1.4%.

Unsurprisingly in the face of difficult business conditions in 2008, the BMW Group was not able to match the previous year’s record sales volume figure. In total, the BMW Group sold 1,435,876 BMW, MINI and Rolls-Royce brand vehicles in 2008 (2007: 1,500,678 units/-4.3%). The Group therefore recorded its second-best annual sales volume figure in its history (behind 2007).

Despite the fact that the whole automobile industry faced huge challenges in 2008, the BMW Group was nevertheless able to achieve new sales volume records for its MINI and Rolls-Royce brands. One of the main contributing factors enabling the sales volume decrease to be kept to a moderate 4.3% was the BMW Group's "Efficient Dynamics" technology which is designed to reduce fuel consumption and CO_2 emissions. All new BMW and MINI models are now equipped with this technology as a standard feature. In Europe alone, some 830,000 vehicles equipped with Efficient Dynamics were handed over to customers in 2008.

1,202,239 BMW brand vehicles (2007: 1,276,793 units/-5.8%) were sold worldwide in 2008, well ahead of the volumes achieved by relevant competitors in the premium segment. MINI was again able to increase the number of units sold, thus setting a new sales volume record. In total, 232,425 units were sold, 4.3% more than in the previous year.

Rolls-Royce Motor Cars sold 1,212 units in 2008 (2007: 1,010 units) corresponding to a sales volume growth of 20.0%. This was the fifth annual increase in succession, ensuring that Rolls-Royce remains the undisputed market leader in the ultra-luxury segment.

Motorcycles segment reports EBIT of euro 60 million

The earnings performance of the Motorcycles segment in 2008 was influenced by difficult business conditions. EBIT fell to euro 60 million (2007: euro 80 million/-25.0%) and the profit before tax dropped to euro 51 million (2007: euro 71 million/-28.2%). Revenues totalled euro 1,230 million (2007: euro 1,228 million/+0.2%). BMW Motorrad was almost able to match its previous year's record sales volume figure despite unfavourable business conditions on the world's motorcycle markets. In total, 101,685 BMW motorcycles (2007: 102,467 units) were sold in 2008 (-0.8%).

Financial Services segment earnings adversely affected by financial crisis

The earnings performance of the Financial Services segment was severely impaired in 2008 by a number of factors, including the recognition of a risk provision expense of euro 1,057 million for residual value risks and bad debts. The segment reported a loss before tax of euro 292 million (2007: profit before tax of euro 743 million). Adjusted for exceptional factors, the segment would have reported a profit before tax of euro 765 million and a return on equity of 19.1% (2007: 18.1%). The Financial Services segment increased its revenues to euro 15,725 million (2007: euro 13,940 million/+12.8%).

The volume of new retail customer contracts rose by 3.1% to euro 29,341 million. The proportion of new BMW and MINI brand cars financed by the Financial Services segment amounted to 48.5%, up by 3.8 percentage points compared to the previous year. This increase was largely attributable to the higher proportion of credit financing, while lease financing remained fairly constant.

Capital expenditure below previous year's level

Capital expenditure, at euro 4,204 million (2007: euro 4,267 million/-1.5%), was lower than in the previous year. The main focus of capital expenditure was on product investments in conjunction with the production start-ups of new models such as the BMW 7 Series, the Z4, the X1 and the MINI Convertible as well as infrastructure investments. Capital expenditure for property, plant and equipment and other intangible assets increased by 1.6% to euro 2,980 million (2007: euro 2,934 million). In addition, euro 1,224 million (2007: euro 1,333 million/-8.2%) of development expenditure was recognised as assets in accordance with IFRS. The capitalisation ratio, at 42.7%, was therefore similar to the previous year's level (42.4%).

Workforce reduced

The number of employees was reduced over the past year as a result of the previously reported personnel-related measures, the sale of business units, normal staff attrition and the expiry of temporary contracts. At the end of 2008, the worldwide workforce comprised 100,041 employees (31 December 2007: 107,539 employees), 7.0% fewer than one year earlier. Approximately 4,000 voluntary employment contract termination agreements had been signed by the end of December. In addition, almost 1,800 posts were reduced following the sale of the Cirquent Group to NTT Data. The number of trainees at the year-end (4,102) remained at a high level (31 December 2007: 4,281).

* * *

The BMW Group – an Overview

		2008	2007	Change in %
Vehicle production				
Automobiles		1,439,918	1,541,503	-6.6
Thereof: BMW	units	1,203,482	1,302,774	-7.6
MINI	units	235,019	237,700	-1.1
Rolls-Royce	units	1,417	1,029	37.7
Motorcycles	units	104,220	104,396	-0.2
Vehicle deliveries				
Automobiles		1,435,876	1,500,678	-4.3
Thereof: BMW	units	1,202,239	1,276,793	-5.8
MINI	units	232,425	222,875	4.3
Rolls-Royce	units	1,212	1,010	20.0
Motorcycles	units	101,685	102,467	-0.8
Workforce at end of year[1]		100,041	107,539	-7.0
Revenues	euro million	53,197	56,018	-5.0
Capital expenditure	euro million	4,204	4,267	-1.5
Operating cash flow[2]	euro million	4,471	6,246	-28.4
EBIT	euro million	921	4,212	-78.1
Thereof: Automobiles	euro million	690	3,450	-80.0
Motorcycles	euro million	60	80	-25.0
Financial Services	euro million	-216	717	-
Profit before tax	euro million	351	3,873	-90.9
Income taxes	euro million	-21	-739	-
Net profit	euro million	330	3,134	-89.5
Earnings per share[3]	euro	0.49/0.51	4.78/4.80	-
Dividend per share of common/preferred stock	euro	0.30/0.32	1.06/1.08	-

[1] figures exclude dormant employment contracts, employees in the work and non-work phases of pre-retirement part-time arrangements and low wage earners.

[2] Automobiles segment.

[3] earnings per share in accordance with IAS 33 for common and preferred stock shares.

If you have any queries, please contact:

Corporate and Governmental Affairs

Mathias Schmidt, Business Communications
Telephone: (+ 49 89) 382-24118, Fax: (+ 49 89) 382-24418

Marc Hassinger, Business and Finance Communications
Telephone: (+49 89) 382-23362, Fax: (+49 89) 382-24418

Media Website: www.press.bmwgroup.com
e-mail: presse@bmwgroup.com