BMW Group
Corporate Communications

Media Information
7 August 2003

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Statement by
Dr. Helmut Panke
Chairman of the Board of Management of BMW AG,
Telephone Conference Interim Report to 30 June 2003
7 August 2003

Ladies and gentlemen,

welcome to this telephone conference also from my side.

In view of the fact that we have continued to pursue our product and market initiative, the first half of the current business year has gone very much according to our plans. During the second quarter of 2003, our activities were mainly focused on the following:

- preparations for the production and worldwide market launch of the new BMW 5 Series sedan,
- the further expansion of the product range and
- the expansion of the company's international market presence.

In the automobile segment, this resulted in the expenditure, which we both anticipated and communicated. Nonetheless, some unforeseeable factors did influence our business – take the strike for example.

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After the successful market launch of the new 5 Series, a true pillar of our product portfolio, we will be presenting further new products such as the BMW 6 Series Coupé and the BMW X3 at the IAA in Frankfurt in the second half of the year. As far as the general economic situation is concerned, there are growing signs of a stimulation of business worldwide as compared to the first few months of the year.

All in all we anticipate a tangible upswing with corresponding effects on the automotive industry in the coming year. For the BMW Group, we remain confident in view of the expansion of our product range in the second half of 2003.

Ladies and gentlemen,

I would now like to look at the main developments of the second quarter and the first half of the year in more detail:

Automobile sales of the BMW Group remained stable at a high level. In the second quarter of 2003, automobile sales stood at the level of the equivalent period in the previous year with some 283,300 vehicles sold. The six-month analysis shows automobile deliveries of some 544,900 vehicles of the brands BMW, MINI and Rolls-Royce. In spite of effects relating to product cycle factors in the case of the BMW brand, this amounts to a slight plus of 0.2 per cent as compared to the first six months of 2002.

In this context, I have to remind you of the effects of the recent strike. We lost six working days and approximately 10,700 vehicles. We are currently checking to what extent we can make up for this in the second half of the year. This will also depend on the ability of suppliers to provide us with additional materials above and beyond the planned quantities.

Developments in the first half of the year varied in the market regions.

The traditional markets continue to be a central pillar of our business, with deliveries remaining at a high level. In Western Europe including Germany, the BMW Group sold 322,000 automobiles in the first half of the year, a drop of 3.5 per cent compared to the equivalent period of the previous year.

In terms of countries within Western Europe, developments have not followed a uniform pattern: while Germany saw a decrease in deliveries of 5.5 per cent to 131,170 units, deliveries in Great Britain – the largest European market for BMW Group vehicles next to Germany – increased by 7.8 per cent as compared to the first half of 2002. In the same period, deliveries also increased in Italy, Spain and Finland. On the other hand, the first six months of 2003 saw reduced deliveries in France, Belgium and Switzerland.

The BMW Group continues to extend its network of subsidiaries in order to strengthen its position in Western Europe. For example, in Greece, Ireland, Denmark and Luxembourg – currently serviced by importers – the BMW Group will take over direct market responsibility as of October 1st 2003.

Overseas, our business continues to move clearly in an upward direction.

The development in the USA is very positive – it is the market with the highest volume for the BMW Group this year. Compared to the equivalent period of the previous year, deliveries have increased by 10.1 per cent to over 137,100 vehicles. With a total market share of some 1.5 per cent in the US, the BMW brand has moved into the position of market leader in the premium segment. In the medium term, we can realistically imagine a market share of over 2 per cent.

We also continue to extend the presence of the BMW Group outside Europe. In this context we are intensifying our activities in Asia, one of the key growth regions in the years to come for premium vehicles. Already today, the BMW Group is the market leader of the premium segment in many countries of the Asian-Pacific region, with growth rates largely in double-digit figures. We intend to continue strengthening our position in Asia. In 2008 we aim to virtually double our 2002 automobile deliveries to 150,000 units.

The first half of 2003 was a further step towards this goal. Automobile deliveries of the BMW Group in Asia increased in the first six months of 2003 by 10.3 per cent to some 40,400 units. In Japan, the number of vehicles supplied to customers in this period increased by 5.5 per cent.

The current focus of our expansion strategy in Asia is China. The dynamics of the Chinese automobile market remain unchallenged this year, also reflected in the development of BMW Group deliveries:

in China we achieved growth of 120 per cent in the first six months of 2003 as compared to the previous year, with over 5,900 vehicles. 2,150 of these were BMW 7 Series cars – over one third of our total deliveries in China. These figures do not even include Hong Kong and Taiwan.

The production and sales joint venture with our Chinese partner Brilliance China Automotive Holdings plays a key role for our future sales growth in China. Before the end of this year, production of BMW 3 Series will begin in Shenyang in the North of China. Production capacity is designed for 30,000 vehicles per year. The Chinese market launch of the new 5 Series is also due in autumn.

Over the next few years, we anticipate a development in China comparable in dynamics to what we have seen in the US, where we have quintupled deliveries since 1992 – the year we decided to start producing cars in the US. Already today, the brand BMW holds the leading position amongst automobile brands in China in relation to image values.

In addition to China, we are also expanding in other Asian markets: for example, we put our own subsidiary into operation in Malaysia on August 1st 2003.

We see a more restrained development in Latin America. Due to the difficult economic situation, deliveries have dropped by 20 per cent in some countries as compared to the equivalent period of last year.

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Ladies and gentlemen,

After the look at regional sales developments, I would like to turn to the performance of the individual brands in the first half of 2003.

In the case of the BMW brand, we supplied fewer units during the first half of 2003 for reasons relating to model cycle. In particular due to the preparations for the model change of the 5 Series and the model-cycle-related measures for the 3 Series Coupé, Convertible and Compact, deliveries of BMW automobiles decreased as of June by 5.5 per cent to some 455,000 units.

Deliveries of the 3 Series were at over 279,400 vehicles for the first half of 2003, a drop of 6.7 per cent as compared to the first half of 2002.

Launched in North America in autumn 2002 and in March in Europe, deliveries of the BMW Z4 continued to develop positively. In the first half of the year we sold almost 22,600 units.

Deliveries of the new BMW 5 Series limousine to customers began at the beginning of July, by the end of September the new model will be available on all the world markets. As expected, sales of the previous model fell in the second quarter 2003 in advance of the launch of the new BMW 5 Series limousine: we sold over 75,600 vehicles during this time – a decrease of 18.3 per cent as compared to the first half of 2002.

Initial market reactions to the new 5 Series have given us considerable confidence, and we anticipate a significant increase in 5 Series deliveries during the second half of the year.

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Deliveries of the BMW 7 Series continued to grow in the first half of 2003 with almost 27,600 vehicles sold – a growth of 7 per cent as compared to the first half of 2002.

We retailed 4.7 per cent fewer of the Sports Activity Vehicle BMW X5 to customers in the first half of 2003 compared to the equivalent period of the previous year. However, we are aiming at producing and retailing more X5 this year than last year – not least since the updated X5 is due to hit the market in the fall.

In June, production of the BMW Z8 was discontinued – it had been manufactured in small numbers. In the first six months of 2003 we delivered approximately 500 vehicles to customers. Since 1999, we have sold some 5,700 units in total.

We continue to be very satisfied with deliveries of automobiles of the MINI brand. With almost 89,900 vehicles, we increased deliveries for this brand by 44 per cent in the first half of 2003 as compared to last year. One additional impulse here was the market launch of the MINI One D in June 2003.

Our third brand, Rolls-Royce, had a good start in Goodwood. The first Rolls-Royce Phantoms produced in the initial phase were mainly intended for demonstration and exhibition purposes. In the second quarter of 2003 we began to supply dealers and customers. Several hundred orders for the current business year reflect the high level of interest the Rolls-Royce Phantom has generated amongst customers.

The installed capacity will eventually enable deliveries of some 1,000 Rolls-Royce Phantoms per year.

Ladies and gentlemen,

For the BMW Group, the year 2003 is very much dominated by the implementation of the product and market initiative. After an extremely short ramp-up period, the new BMW 5 Series sedan will be fully available on all the world markets by the end of September. Further important milestones such as the presentation of the BMW 6 Series Coupé and the new BMW X3 will follow later in the year.

In view of the successful start of our new models, we look ahead to the second half of the year with confidence and we continue to adhere to our goal of succeeding in the second half of 2003 to compensate for the product-cycle-related drop in deliveries of the BMW brand during the first half of the year, as well as to increase deliveries of all brands compared to last year.

Ladies and gentlemen,

Before addressing the key figures of revenues and earnings, allow me to take a brief look at developments in the motorcycle and financial services business.

The environment for sales of BMW motorcycles is generally characterised by predominantly declining tendencies on the international markets. In the first half of 2003, deliveries for us were at almost 51,600 units, a decrease of 3 per cent.

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The financial services segment continued its growth in the second quarter of 2003 and extended its business activities. The number of new contracts increased worldwide by 7.3 per cent as compared to the first half of 2002.

Total Group revenues decreased in the first half of 2003 compared to the equivalent period of the previous year by 8.3 per cent to 20.5 billion euros, mainly as a result of currency effects.

Profits from ordinary activities decreased by 7.2 per cent to 947 million euros in the second quarter of 2003. Here, the evaluation of financial instruments contained in the reconciliations to the Group operating profit had a positive effect on the development of the Group's profit.

In the first half of 2003, profits from ordinary activities were 1.78 billion euros; we thus fell short of last year's figure by 12.5 per cent.

The net profit of the BMW Group decreased in the second quarter of 2003 by 9.7 per cent to 568 million euros, for the first half of 2003 there was a decrease from 14.5 per cent to 1.08 billion euros.

Ladies and gentlemen,

We see stimulating factors arising from our product cycles in the second half of the year. We are also more confident now than at the beginning of the year that the general economic situation will start to pick up.

Looking at next year, the stimulation of the economy we hoped for so long should take place. Especially in Germany it is crucial that the reform discussion at the political level does not remain a discussion but that the proposals are actually implemented. At the moment, conditions are favourable for both consumers and investing businesses to have renewed confidence in the future.

Our performance so far in 2003 is in line with the expectations of the BMW Group. Despite the expenditures incurred in conjunction with the product and market initiative, which mainly impacts the results of the Automobiles segment, the BMW Group is still aiming, on a full year basis, to match previous year's earnings.

Thank you.