Interim Report
to 30 September 2006

Q3



Rolls-Royce
Motor Cars Limited

BMW Group

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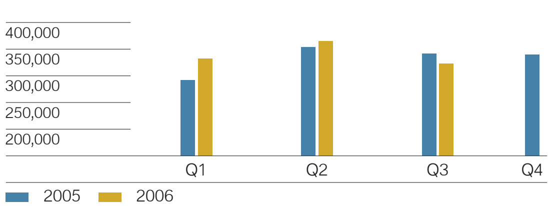
The BMW Group – an Overview

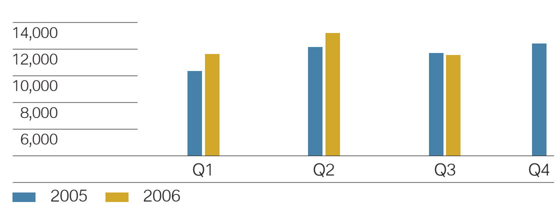
BMW Group in figures		3rd quarter 2006	3rd quarter 2005	Change in %
Vehicle production				
Automobiles	units	329,143	342,543	–3.9
Motorcycles	units	22,279	20,413	9.1
Deliveries to customers				
Automobiles	units	323,064	341,932	–5.5
Motorcycles	units	23,230	23,553	–1.4
Workforce at end of quarter		**107,027**	**106,859**	**0.2**
Cash flow[2]	euro million	**1,372**	**1,323**	**3.7**
Operating cash flow[1]	euro million	**255**	**1,507**	**–83.1**
Revenues	euro million	**11,557**	**11,721**	**–1.4**
Profit before tax[2]	euro million	**720**	**658**	**9.4**
Thereof:				
Automobiles[2]	euro million	611	648	–5.7
Motorcycles	euro million	4	4	0.0
Financial Services	euro million	182	167	9.0
Reconciliations[2]	euro million	–77	–161	–52.2
Income taxes	euro million	**–268**	**–203**	**32.0**
Net profit[2]	euro million	**452**	**455**	**–0.7**
Earnings per share[2] [3]	euro	**0.69/0.69**	**0.68/0.68**	**1.5/1.5**

1] In its Group financial statements for 2005, the BMW Group brought the cash flow computation into line with standards normally applied on the financial markets. In addition to the simplified definition of cash flow, as used to date, the BMW Group also discloses the figures for the cash flow from operating activities (operating cash flow), the latter corresponding to the cash flow from Industrial operations reported in the cash flow statement.
2] Previous year's figures adjusted for the new accounting treatment of pension obligations. A detailed analysis of measures taken is provided in the Annual Report 2005.
3] for common/preferred stock in accordance with IAS 33. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

Deliveries of automobiles
in units



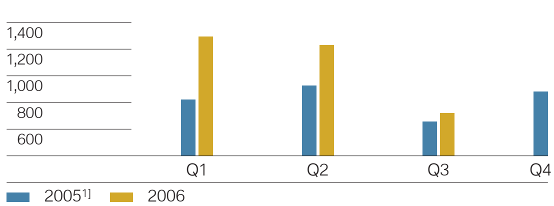
Revenues
in euro million



BMW Group in figures		1 January to 30 September 2006	1 January to 30 September 2005	Change in %
Vehicle production				
Automobiles	units	1,028,949	987,945	4.2
Motorcycles	units	83,350	78,353	6.4
Deliveries to customers				
Automobiles	units	1,021,534	988,463	3.3
Motorcycles	units	79,333	80,840	–1.9
Workforce at end of quarter		**107,027**	**106,859**	**0.2**
Cash flow[2]	euro million	**4,686**	**4,152**	**12.9**
Operating cash flow[1]	euro million	**3,998**	**5,228**	**–23.5**
Revenues	euro million	**36,368**	**34,237**	**6.2**
Profit before tax[2] [3]	euro million	**3,248**	**2,407**	**34.9**
Thereof:				
Automobiles[2]	euro million	2,319	2,175	6.6
Motorcycles	euro million	89	88	1.1
Financial Services	euro million	535	478	11.9
Reconciliations[2]	euro million	305	–334	–
Income taxes	euro million	**–1,061**	**–757**	**40.2**
Net profit[2]	euro million	**2,187**	**1,650**	**32.5**
Earnings per share[2] [4]	euro	**3.33/3.34**	**2.45/2.46**	**35.9/35.8**

1] In its Group financial statements for 2005, the BMW Group brought the cash flow computation into line with standards normally applied on the financial markets. In addition to the simplified definition of cash flow, as used to date, the BMW Group also discloses the figures for the cash flow from operating activities (operating cash flow), the latter corresponding to the cash flow from Industrial operations reported in the cash flow statement.
2] Previous year's figures adjusted for the new accounting treatment of pension obligations. A detailed analysis of measures taken is provided in the Annual Report 2005.
3] Profit before tax includes a one-off gain of euro 375 million arising from the partial settlement of the exchangeable bond on Rolls-Royce plc shares.
4] for common/preferred stock in accordance with IAS 33. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

Profit before tax
in euro million



1] adjusted for new accounting treatment of pension obligations

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The BMW Group – an Overview

BMW Group remains on course

The BMW Group continued to make good progress in the third quarter 2006. The number of cars sold passed the one-million threshold during the course of September, earlier than ever before in the company's history.

As expected, car sales volumes developed somewhat more moderately during the third quarter than in the two previous quarters. With 323,064 BMW, MINI and Rolls-Royce brand cars sold, the sales volume was 5.5% below the record level achieved in the same quarter last year. This was attributable largely to volume fluctuations caused by model life-cycle factors affecting the current year as well as baseline volume factors from the previous year. On a nine-month basis, however, the BMW Group is still well ahead of the previous year. In total, 1,021,534 BMW, MINI and Rolls-Royce brand cars were delivered to customers during the period from January to September 2006, 3.3% more than one year earlier.

The motorcycle business fell just short of the sales volumes recorded in the corresponding periods in 2005. The number of BMW motorcycles delivered to customers decreased by 1.4% to 23,230 units for the third quarter and by 1.9% to 79,333 units for the nine-month period.

The financial services business continued to develop robustly during the third quarter. The number of lease and credit contracts in place at the quarter-end climbed to 2,218,336 units, 10.3% more than one year earlier.

Marked rise in earnings

The weaker development of business in the Automobiles segment due to model life-cycle factors also held down reported revenues and earnings for the third quarter.

Group revenues for the third quarter 2006 totalled euro 11,557 million and were thus 1.4% below the corresponding figure for 2005. On the back of the sharp increases registered during the first half of the year, group revenues for the nine-month period amounted to euro 36,368 million, 6.2% ahead of the previous year.

The group profit before tax for the third quarter was euro 720 million, an increase of 9.4% compared to the third quarter last year. The group profit before tax for the nine-month period was up 34.9%, and, at euro 3,248 million, represented a new high level.

In the previous year, earnings had been adversely affected by fair value losses on the exchangeable bond option relating to the BMW Group investment in Rolls-Royce plc, London. In contrast, settlement of the exchangeable bond in 2006 gives rise to an accounting gain which has a positive impact on earnings over the course of the year.

Number of jobs virtually unchanged

The BMW Group had a worldwide workforce of 107,027 employees at the end of the third quarter 2006, virtually unchanged (+0.2%) compared to the same reporting date last year.

1,207 apprentices started their career with the BMW Group during the third quarter 2006. Overall, the BMW Group has 4,386 apprentices worldwide, most of whom are employed in Germany.

Further additions to model range

The new BMW 3 Series Coupé and the updated BMW X3 have been available on the markets since September. Also since September, the BMW M model range has been expanded by the M6 Convertible.

A long-wheelbase version of the BMW 5 Series is being developed exclusively for the Chinese market and will be presented before the year ends. In December, the BMW Group will be the first manufacturer worldwide to present a hydrogen-driven luxury sedan for every-day use. Based on the 760Li, the Hydrogen 7 will be available for selected customers in some markets from 2007 onwards.

The new MINI generation, fitted out with completely new engines, will be available to customers from November onwards, initially in the Cooper and Cooper S versions.

Preparations for the new Rolls-Royce Convertible are progressing in line with plan. In addition, the development of a new model series has commenced. In terms of both size and price, the new model will be positioned below the Phantom.

New motorcycle models were presented to the public by the BMW Group at INTERMOT, the world's largest fair for motorcycles and scooters, and will become available on the market over the course of the coming year. A completely new single-cylinder model series celebrated its world premiere with three very different motorcycles, namely the Scrambler G 650 Xcountry, the Hard-Enduro G 650 Xchallenge and the Streetmoto G 650 Xmoto. In addition, the K model range has been expanded by the K 1200 R Sport version which is equipped with extra sporting and dynamic fairing. The HP2 range is also being expanded by the addition of the Megamoto (based on the HP2 Enduro).

Increasing internationalisation

The expansion of the BMW Group's activities in India is progressing as planned; the new production and sales company will commence full operations from the beginning of 2007. By 2007, the Company will have invested around euro 20 million in the Indian market. The workforce in India will initially comprise approximately 200 employees, most of whom will be based at the new Chennai plant which is expected to be completed by the end of 2006. Up to 600 further jobs are planned for the dealer and service network. Initially, six new dealerships will be set up from the beginning of 2007.

At present, the BMW Group has its own production facilities in 12 countries and its own sales companies in 37 countries. BMW, MINI and Rolls-Royce cars and BMW motorcycles are sold in 140 countries.

World economy maintains stable growth

The world economy will continue to grow strongly over the remainder of 2006. Although the growth rate will be somewhat lower in the second half of the year than in the first-half, the pace of growth will generally remain at a high level. The emerging economies in Asia, Eastern Europe and Latin America will, along with the USA, continue to experience the fastest growth rates. The recovery of the Japanese economy continues to make good progress, and Europe, too, is once again seeing higher growth rates this year.

Despite the decrease in raw oil prices in recent months, developments on the commodity markets remain the greatest risk for the world economy, even though the latter has so far been able to cope relatively well with the higher price level. Within the euro region, there is still a risk that the perceptible signs of a weaker US dollar could be followed by a further decrease.

International automobile markets performing inconsistently

So far this year, the performance of the traditional car markets (USA, Japan and Western Europe) has been on the weak side. The Western European market has stagnated, while Japan and the USA have even suffered sales volume decreases. This trend will continue on a slightly reduced scale through to the year-end. The German market has been able to buck this trend so far in 2006, registering a small growth rate. In contrast, the Asian and Latin American markets continue to enjoy very high growth rates: China and India in particular are again growing with rates in the double-digit range.

Outlook unchanged

The BMW Group predicts for the remainder of the year that business will develop in line with the forecast issued at the beginning of the year.

The more moderate pace of growth seen by the Automobiles segment in the third quarter will continue in the fourth quarter 2006. The BMW Group nevertheless continues to forecast that the targeted car sales volume record for the year as a whole will be achieved.

In the Motorcycle segment, the sales volume performance remains affected by inconsistent market conditions. Nevertheless, the BMW Group continues to predict that the previous year's sales volume figure will be surpassed in 2006.

In the Financial Services segment, the positive trend observed in previous quarters continues unabated. However, earnings growth will be lower than in 2005 as a consequence of interest rate developments.

As previously forecast, external factors continue to have an impact on reported results of the BMW Group in the second half of 2006. In the Automobiles segment, the main negative impact results from currency fluctuations (especially caused by the development of the yen) and from persistently high raw material prices.

For the full year 2006, the BMW Group will therefore again be confronted with higher expenditure, albeit on a lower scale than in the previous year. Most of the negative impact was absorbed during the first half of the year, with the consequence that the impact on earnings should be less pronounced in the second half of the year.

The one-off gain arising on the settlement of the exchangeable bond on shares in Rolls-Royce plc, London, and reported within Reconciliations, has had a significant impact on earnings in 2006. In contrast, earnings in 2005 were impacted negatively by the fair value measurement of the option.

Based on its continuing robust sales volume performance, the BMW Group continues to forecast that it will achieve its targeted group profit before tax of euro 4 billion for the financial year 2006. Even excluding the impact of the exchangeable bond, the profit before tax will exceed the amount reported for 2005.

The BMW Group aims to continue its profitable growth course over the coming years and, by comparison to the sector as a whole, continue to generate above-average returns.

More moderate sales volume performance in the third quarter
As expected, due to model life-cycle factors, the number of cars sold by the BMW Group in the third quarter 2006 was somewhat more moderate than in the first half of the year.

Between July and September 2006, the BMW Group sold a total of 323,064 BMW, MINI and Rolls-Royce brand cars, 5.5% fewer than in the third quarter last year. The sales volume had surpassed the one million threshold for the first time during the first nine months of a year before the end of September, reaching a total of 1,021,534 units and representing a growth rate of 3.3%.

277,088 BMW brand cars were sold during the third quarter 2006, a reduction of 4.6% compared to the same quarter last year. 874,208 BMW brand cars were handed over to customers during the first nine months of 2006, 5.5% more than in the corresponding period last year.

The MINI brand's performance in the third quarter was influenced by the forthcoming model change in November. With a sales volume of 45,788 units during the third quarter 2006, 10.7% fewer MINI brand cars were sold than one year earlier. The sales volume recorded for the first nine months of the year was also influenced by the capacity expansion measures carried out at the Oxford plant during the first half of the year and the resulting limited availability of the MINI during the period. 146,851 MINI brand cars were handed over to customers between January and September 2006, 7.9% fewer than in the corresponding period last year.

The sales volume recorded for the Rolls-Royce brand surpassed the previous year's figures for both the third quarter and the nine-month period. 188 Rolls-Royce brand cars were handed over to customers between July and September (+5.0%). The sales volume for the nine-month period increased by 2.4% to 475 units.

Inconsistent market performance in third quarter
Sales volumes recorded by the BMW Group in the third quarter 2006 were influenced by model life-cycle factors, with the impact being felt most strongly in the larger markets.

In North America, the third quarter sales volume figure fell by 8.8% to 78,719 units due to model life-cycle factors. In contrast, the sales volume for the nine-month period went up by 2.3% to 247,645 units compared to the corresponding period last year. In the USA, the most important single market worldwide for the BMW Group, 72,674 vehicles were sold during the third quarter, 10.2% fewer than one year earlier. In total, 230,018 vehicles (+1.8%) were handed over to customers in the USA during the first nine months of the year.

In Europe, the BMW Group recorded a sales volume of 189,437 vehicles between July and September 2006, 6.1% fewer than in the third quarter 2005. After the marked increase recorded in the first half of the year, model life-cycle factors had an adverse impact on the sales volume performance in this region during the third quarter. On a nine-month basis, the sales volume in Europe increased by 1.4% to 611,775 units.

Automobiles		3rd quarter 2006	3rd quarter 2005	Change in %
Production	units	329,143	342,543	–3.9
Deliveries to customers	units	323,064	341,932	–5.5
Revenues	euro million	11,088	11,707	–5.3
Profit before tax[1]	euro million	611	648	–5.7
Workforce at end of quarter		99,055	99,617	–0.6

1] Previous year's figures adjusted for new accounting treatment of pension obligations. A detailed analysis of measures taken is provided in the Annual Report 2005.

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In Germany, BMW Group's largest single market in Europe, the sales volume for the third quarter was down by 13.5 % to 63,809 units. 213,036 vehicles were handed over to customers during the first nine months of 2006, 4.0 % fewer than in the previous year.

In the United Kingdom, the previous year's high sales volume levels were almost reached on a quarterly and nine-month basis: 44,772 units (– 0.6 %) were sold during the third quarter and 118.837 units (– 0.9 %) during the period from January to September.

Sales volume developments in Southern Europe were particularly encouraging. In Spain, the sales volume for the nine-month period increased by 12.5 % to reach 47,382 units. In Italy, a growth rate of 8.8 % was achieved, with the sales volume rising to 73,069 units.

The BMW Group continued to record strong growth on the Asian markets. 35,520 BMW, MINI and Rolls-Royce brand cars were sold in Asia during the third quarter, corresponding to a growth rate of 3.4 %. The growth rate for the first three quarters of 2006 was 14.2 %. During this period, 103,738 BMW Group cars were sold in Asia. The BMW Group's biggest single market in Asia is Japan, where the number of cars sold during the nine-month period increased to 46,088 units (+ 6.9 %). Once again, the highest growth rate for the nine-month period was recorded on the Chinese markets, where the sales volume jumped by 38.9 % to 32,837 units.

Record sales volume for the BMW brand

At 874,208 units, the number of BMW brand cars sold during the first nine months of the year represented a new record. The equivalent figure for the previous year was therefore surpassed by 5.5 %. The sales volume for the third quarter, at 277,088 units, was 4.6 % down against the previous year's equivalent figure.

The BMW 1 Series continued to register robust volume growth. 116,684 units (+ 2.2 %) were sold during the first nine months of 2006, underlining the high degree of acceptance which this model series is enjoying in the market.

The BMW Group's strongest selling model, the BMW 3 Series, achieved a sales volume of 374,996 units between January and September, corresponding to a growth rate of 20.5 %. 257,070 BMW 3 Series Sedan were sold during the first nine months of 2006, 19.5 % more than one year earlier. The BMW 3 Series Touring recorded the fastest growth rate of all the various models of the BMW 3 Series. With the new model fully available throughout the nine-month period, it achieved a sales volume of 78,357 units, thus doubling the figure recorded in the corresponding period last year (+ 99.2 %). The introduction to the markets of the new BMW 3 Series Coupé in mid-September is expected to revive demand for this model in the period up to the end of the year. The sales volume of the BMW 3 Series Coupé for the nine-month period fell to 19,080 units (– 25.0 %), with this figure already including 4,900 units of the

Automobiles		1 January to 30 September 2006	1 January to 30 September 2005	Change in %
Production	units	1,028,949	987,945	4.2
Deliveries to customers	units	1,021,534	988,463	3.3
Revenues	euro million	35,262	33,572	5.0
Profit before tax[1]	euro million	2,319	2,175	6.6

1] Previous year's figures adjusted for new accounting treatment of pension obligations. A detailed analysis of measures taken is provided in the Annual Report 2005.

new model. Due to model life-cycle factors, the sales volume of the BMW 3 Series Convertible for the nine-month period fell by 22.3 % to 20,183 units.

The BMW 5 Series was also able to beat the sales volume figures recorded in the previous year. In total, 169,595 units were sold during the first three quarters of 2006, 2.1 % more than in the corresponding period last year. The BMW 5 Series Sedan accounted for 132,666 units, representing a growth rate for the nine-month period of 2.5 %. The BMW 5 Series Touring recorded a sales volume of 36,929 units, up by 0.6 % against the previous year's comparable performance.

The BMW 6 Series was unable to match the volumes achieved in the previous year, but managed nevertheless to maintain its position within this contracting segment. In total, 16,344 BMW 6 Series vehicles were sold during the nine-month period, representing a reduction of 7.0 %. The BMW 6 Series Coupé, however, was almost able to match its previous year's performance, with its sales volume down by 1.6 % to 8,986 units. During the first nine months of the year, 7,358 units of the BMW 6 Series Convertible were handed over to customers (–12.9 %).

Demand for the BMW 7 Series Sedan remains strong. 36,784 units were sold between January and September 2006, 8.2 % more than in the corresponding period last year. In 2007, with the introduction of the Hydrogen 7, based on the BMW 760Li, the BMW Group will become the first manufacturer worldwide to offer selected customers in some markets a hydrogen-driven luxury sedan.

The sales volume performance of the BMW X3 has been influenced by various updated model features which have been available on the market since mid-September. 79,523 units of the BMW X3 were sold during the first three quarters, 6.2 % fewer than in the corresponding period last year.

The new BMW X5 will be introduced onto the markets gradually from November onwards. Due to model life-cycle factors, the sales volume of this vehicle for the nine-month period was down by 24.9 % to 57,458 units.

The availability of the updated versions of the BMW Z4 Roadster and the BMW Z4 M Roadster since March, and that of the BMW Z4 Coupé and the BMW Z4 M Coupé since June, meant that the BMW Z4 recorded a marked sales volume increase during the third quarter 2006. In total, 9,572 units of the BMW Z4 were delivered during this quarter, thus surpassing the previous year's equivalent figure by 24.4 %. On a nine-month-basis, the sales volume of the BMW Z4 was down by 5.2 % due to model life-cycle factors, with a total of 22,805 units sold between January and September 2006.

MINI availability limited by capacity expansion measures

Due to capacity expansion measures and production changes relating to the introduction of the new MINI generation, it has not been possible during the current year to satisfy market demand completely. For this reason, the number of MINI brand cars delivered to customers during the first three quarters of 2006, at 146,851 units, was 7.9 % lower than one year earlier. 45,788 MINI brand cars were sold during the third quarter, down by 10.7 %. The new MINI generation, which will be fitted out with completely new engines, will be available to customers from November onwards, initially in the Cooper and Cooper S versions.

The MINI brand (including the MINI Convertible) continues to generate a very high-value product mix: 41,427 units (28 %) of the starter model, the MINI One (including the MINI One D), were sold during the first nine months of the year. During the same period, 61,774 (42 %) customers chose to buy the MINI Cooper and almost one in three customers (43,650 units; 30 %) opted for the Cooper S, the model with the most powerful engine.

Sales volume growth for Rolls-Royce

Rolls-Royce Motor Cars increased sales of the Phantom in the period from January to September by 2.4 % to 475 units. 188 Rolls-Royce brand vehicles were handed over to customers during the third quarter, 5.0 % more than one year earlier.

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More than one million cars manufactured up to September

The BMW Group manufactured a total of 1,028,949 vehicles between January and September, up 4.2% compared to the previous year. This included 889,295 BMW brand vehicles, 7.2% more than one year earlier. 139,069 units were manufactured at the MINI plant during the first nine months of 2006, 11.8% fewer than in the previous year. 585 Rolls-Royce Phantoms were manufactured during the nine-month period (+29.1%).

The BMW Group's production volume in the third quarter totalled 329,143 units, down by 3.9% compared to the previous year. The BMW brand accounted for 284,114 units of this total, slightly fewer (–1.2%) than in the previous year. The final first generation BMW X5 was manufactured at the BMW plant in Spartanburg, South Carolina, at the end of September 2006; altogether, 616,867 units of this model have been manufactured at this location. The new model of this highly successful Sports Activity Vehicle will also be manufactured in Spartanburg.

The start of production of the new MINI in September 2006 also heralded the start of a new dimension of cooperation between the BMW Group's production plants in Great Britain. The plants in Swindon, Hams Hall and Oxford manufacture the MINI to precise customer order within the so-called MINI Production Triangle. The maximum production capacity of the MINI is being increased over the medium-term to 240,000 units p.a. 44,835 units were manufactured in Oxford during the third quarter, 18.2% fewer than in the same quarter last year due to the change to the new MINI generation.

194 Rolls-Royce Phantom were manufactured at Goodwood, England, during the third quarter, 10.9% more than in the third quarter last year.

Robust revenues and earnings performance

Revenues of the Automobiles segment for the third quarter 2006, at euro 11,088 million, were 5.3% lower than in the same quarter last year, in line with the decrease in sales volume. On a nine-month basis, however, revenues were well ahead of the previous year's figure. Revenues increased by 5.0% to euro 35,262 million, thus reaching a new high level for the nine-month reporting period.

Segment profit before tax for the third quarter amounted to euro 611 million and was therefore 5.7% lower than one year earlier. Segment profit before tax for the first three quarters 2006 totalled euro 2,319 million, an increase of 6.6%.

Workforce of Automobiles segment almost unchanged

The segment workforce comprised 99,055 employees at 30 September 2006, a decrease of 0.6% compared to one year earlier.

Motorcycles sales volume just below previous year's level
The international motorcycle markets continue to perform inconsistently. While the markets in the USA and, above all, in Southern Europe, developed positively, growth rates in the Central European markets were either moderate or even negative. Two of the segments in which the BMW Group is not represented, namely the segment below 750 cc and, in particular, the Supersport motorcycle segment, are both experiencing worldwide growth. In contrast, the Tourer, Sport Tourer and Sport segments are either stagnating or growing at moderate rates. In total, the BMW Group sold 23,230 motorcycles worldwide during the third quarter, 1.4 % fewer than in the third quarter last year. At 79,333 units, the sales volume for the nine-month period was 1.9 % below the previous year.

The BMW Group continues to forecast that it will achieve the targets set for the motorcycle business at the beginning of the year, and thus improve on the sales volume, revenues and earnings figures achieved in the previous year.

59,835 BMW motorcycles were sold in Europe during the first nine months, 1.9 % fewer than in the corresponding period last year. In Germany, the largest single market for BMW motorcycles, 18,542 units were sold during the nine-month period (– 8.0 %). Sales volume figures for BMW motorcycles therefore reflect the overall trend in Germany, where the market has now been in decline for seven years. In contrast, the BMW Group performed well in Spain, with 7,443 BMW motorcycles sold during the nine-month period, 14.6 % ahead of the previous year. 12,203 BMW motorcycles (+ 7.0 %) were sold in Italy during the first nine-months of the year.

In the USA, the BMW Group could not match the sales volume recorded during the first three quarters of the previous year. 10,029 units were sold between January and September 2006, falling short of the previous year's figure by 1.5 %. In contrast, high growth rates were achieved in Japan (2,021 units, + 12.0 %) and South Africa (1,963 units, + 24.2 %).

Numerous new models introduced
The BMW Group continued to pursue its new product initiative in the Motorcycles segment during the third quarter 2006. Following the market introduction of the R 1200 R Roadster in September, the whole range of the Boxer model series is now available on the market. The F 800 ST Sport Tourer was also launched in September. Alongside the well-established single-cylinder, boxer and four-cylinder models, these new motorcycles with a parallel-twin engine enhance BMW's motorcycle range within the highly competitive middle class.

The BMW Group presented further new models to the public at the world's largest motorcycle and scooter fair, INTERMOT, held in Cologne in mid-October; these models will become available on the market over the course of the coming year. A completely new single-cylinder model range celebrated its world premiere at the fair with three very different bikes. The G 650 Xcountry Scrambler, G 650 Xchallenge Hard-Enduro and G 650 Xmoto Streetmoto are all based on the same underlying technology, yet are each completely different in character. They represent a new segment for

Motorcycles		3rd quarter 2006	3rd quarter 2005	Change in %
Production	units	22,279	20,413	9.1
Deliveries to customers	units	23,230	23,553	– 1.4
Revenues	euro million	278	272	2.2
Profit before tax	euro million	4	4	0.0
Workforce at end of quarter		2,819	2,896	– 2.7

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BMW Motorcycles and are intended in particular to appeal to younger customers. In addition, the K model range has been extended by the addition of a K 1200 R Sport version equipped with extra sporting and dynamic fairing. The HP2 family has also been strengthened with the addition of a new model. With the Megamoto, based on the HP2 Enduro, the BMW Group has succeeded in presenting a motorcycle that is both exclusive and dynamic.

R 1200 GS still enjoying very high demand

The R 1200 GS, the large long-distance enduro, was the best-selling BMW motorcycle, with a sales volume of 25,086 units (including the Adventure version) for the nine-month period. The R 1200 RT touring bike took second place with 10,658 units sold, closely followed by the single cylinder F 650 GS Enduro (including the Dakar version), with 10,127 units sold in this, the fifth year since market launch.

Motorcycle production up for nine-month period

Motorcycle production volume in the third quarter, at 22,279 units, was 9.1 % higher than in the previous year in conjunction with the market introduction of models presented at the INTERMOT fair. 83,350 BMW motorcycles were produced at the BMW plant in Berlin during the nine-month period (+ 6.4 %).

Revenues and earnings of the Motorcycle segment at previous year's levels

Revenues of the Motorcycles segment for both the third quarter and nine-month period were at a similar level to the previous year. Segment revenues for the third quarter amounted to euro 278 million, 2.2 % ahead of the previous year's figure. Revenues for the period from January to September amounted to euro 1,010 million, marginally lower than one year earlier (– 0.3 %).

Segment profit before tax for the third quarter amounted to euro 4 million, similar to the level recorded in the third quarter last year. Profit before tax for the nine-month period amounted to euro 89 million, marginally ahead of the previous year's figure (+ 1.1 %).

Workforce slightly lower

Compared to one year earlier, the segment workforce decreased by 2.7 % to stand at 2,819 employees at 30 September 2006.

Motorcycles		1 January to 30 September 2006	1 January to 30 September 2005	Change in %
Production	units	83,350	78,353	6.4
Deliveries to customers	units	79,333	80,840	– 1.9
Revenues	euro million	1,010	1,013	– 0.3
Profit before tax	euro million	89	88	1.1

Financial Services business remains successful
The Financial Services segment continued to make good progress in the third quarter 2006, again making an important contribution to the overall performance of the BMW Group.

The business volume of the segment in balance sheet terms at 30 September 2006 amounted to euro 42,488 million, an increase of 10.5 % compared to the same reporting date last year. At the end of the third quarter, a total of 2,218,336 credit or lease contracts were in place with dealers or retail customers, 10.3 % more than one year earlier.

The proportion of new BMW Group cars leased or financed by the Financial Services segment at the reporting date was 42.2 %, surpassing the previous year's level by 1.2 percentage points.

Retail customer business continues strong performance
A total of 685,844 lease and credit contracts were signed with retail customers during the first nine months of 2006 (+ 4.4 %). 219,070 new contracts were signed during the third quarter 2006, 1.1 % fewer than in the same quarter last year, reflecting the more moderate development in the car sales volume recorded by the BMW Group during the quarter under report.

The increase in the number of new contracts during the nine-month period was attributable to credit financing (+ 5.6 %) and leasing (+ 2.4 %). At 30 September 2006, lease contracts accounted for 36.9 % of total retail customer contracts, roughly at the same level as one year earlier (37.7 %).

In the area of used car financing, the number of new contracts signed during the nine-month period edged up by 1.8 %. The proportion of used BMW cars covered by used car financing contracts in this period increased by 3.9 %. The Financial Services segment plans to expand credit business in the area of used cars with the aid of innovative product combinations. This is intended to enable potential customers, particularly those from younger target groups, to make their first move towards buying a BMW Group vehicle.

In total, new credit and lease contracts amounting to euro 18,221 million were signed with retail customers during the first nine months of 2006, an increase of 4.2 % compared to the corresponding period last year. The number of contracts in place with retail customers at the end of the third quarter rose to 2,039,255 units, 10.6 % more than one year earlier. On a nine-month basis, significant growth was registered in all regions. The number of retail customer contracts in place in Germany increased by 5.9 %, whilst the remaining European markets and the East Asia region grew by 16.3 % and 11.1 % respectively. The largest proportion of the worldwide contract portfolio again related to the Americas region; the number of contracts here increased by 9.6 % to 667,193 units.

Continuous growth in the area of dealer financing
The Financial Services segment supports the BMW Group dealer organisation with a comprehensive range of products. In addition to the financing of vehicle inventories, these activities also include real estate and equipment financing. The total volume of dealer financing contracts managed by the Financial Services segment at the end of the third quarter 2006 stood at euro 6,434 million, 3.6 % higher than one year earlier.

Further expansion of the fleet business contract portfolio
The BMW Group brand-neutral fleet business, which operates on the markets under the name Alphabet,

Financial Services		3rd quarter 2006	3rd quarter 2005	Change in %
New contracts with retail customers		219,070	221,399	– 1.1
Revenues	euro million	2,703	2,401	12.6
Profit before tax	euro million	182	167	9.0
Workforce at end of quarter		3,400	3,087	10.1

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continued to grow during the third quarter 2006, maintaining its rapid pace of growth despite greater competition. The business volume rose by 33.6 % compared to the same quarter last year, corresponding to an increase of 168,353 units in the contract portfolio managed by Alphabet entities.

Increased competition for banking products in Germany

The total number of customer deposit accounts rose sharply (+19.0 %) to stand at 540,341 accounts at 30 September 2006. The segment's deposit volume worldwide at that date amounted to euro 5,889 million, 5.4 % lower than one year earlier. This development was attributable primarily to increased competition in the area of online saving products on offer in Germany.

The number of custodian accounts relating to investment fund business increased by 17.0 % to stand at 29,317 accounts at 30 September 2006. In total, the net cash inflow for investment funds during the first nine months of the year increased by 36.9 % to euro 113 million.

Insurance business continues to grow

High demand for additional insurance services resulted in a marked growth in insurance business during the first nine months of the year. In total, 187,452 new insurance contracts were signed during the period, up 20.6 % compared to the corresponding period last year. With effect from the third quarter, the Financial Services segment is also offering insurance products in Canada, in line with the growing internationalisation of the financial services business.

Compared to one year earlier, the number of insurance contracts managed by the segment rose by 35.4 % to stand at 571,516 contracts at 30 September 2006. This growth rate was achieved across all product lines.

Awards presented to BMW Group Financial Services

The segment's strong customer-friendly approach and its excellent cooperation with the dealer organisation were underlined by two awards received during the third quarter. The results of a J. D. Power Dealer Finance Satisfaction Study, covering 4,670 dealers, were particularly pleasing: BMW Financial Services North America ranked highest in satisfying dealers for prime retail credit and retail leasing. In addition, BMW Group Financial Services South Africa was awarded first place in the "National Automobile Dealers Association Survey 2006".

Segment earnings increased

Despite the fact that competition in this sector is becoming more intense and that recent interest rate developments are resulting in less favourable refinancing conditions, the segment's profit before tax was well ahead of the figures reported for the corresponding periods in the previous year. The segment profit before tax for the third quarter rose by 9.0 % to euro 182 million, and for the nine-month period by 11.9 % to euro 535 million.

Workforce increased further

The successful development of financial services business is also reflected in the size of the segment's workforce. With 3,400 employees at the end of the third quarter, the segment workforce has grown by 10.1 % compared to one year earlier.

Financial Services		1 January to 30 September 2006	1 January to 30 September 2005	Change in %
New contracts with retail customers		685,844	656,922	4.4
Business volume[1]	euro million	42,488	38,436	10.5
Revenues	euro million	8,310	6,919	20.1
Profit before tax	euro million	535	478	11.9

1] leased products plus receivables from sales financing (per Group balance sheet)

BMW stock in the third quarter 2006

Raw material prices and exchange rates had a significantly lower impact on stock exchange prices during the third quarter 2006 than in the two previous quarters. During the period from July to September 2006, the US dollar exchange rate fluctuated in a relatively narrow range of between US dollar 1.26 to US dollar 1.28 for one euro. Oil prices fell sharply during the quarter under report. The price for one barrel of Brent Crude during the quarter went down from US dollar 74.44 at the beginning of the quarter to US dollar 58.49 on the last day of trading. This corresponds to a decrease of 20.64 % during the quarter. In the light of these developments, share prices of export-oriented automobile stocks performed well during the quarter.

After a weak second quarter, the leading German stock index, the DAX, again began to gain ground and put on 321 points or 5.65 % compared to its level at the end of the previous quarter. The index for standard German equities closed at 6,004.33 points at the end of the third quarter 2006.

The Prime Automobile Performance Index performed even better than the DAX in the third quarter. The sector index closed on 29 September 2006 at 501.85 points, 8.29 % above its level at the end of the previous quarter.

The price of BMW common stock outperformed the overall market over the course of the third quarter, rising at a similar pace to the Prime Automobile Performance Index, and closing at euro 42.24 at 29 September 2006, euro 3.18 or 8.14 % ahead of its price at the end of the second quarter. The price of BMW preferred stock increased even faster: compared to the final day of trading in the second quarter 2006, its price rose by 11.42 % to stand at euro 4.28.

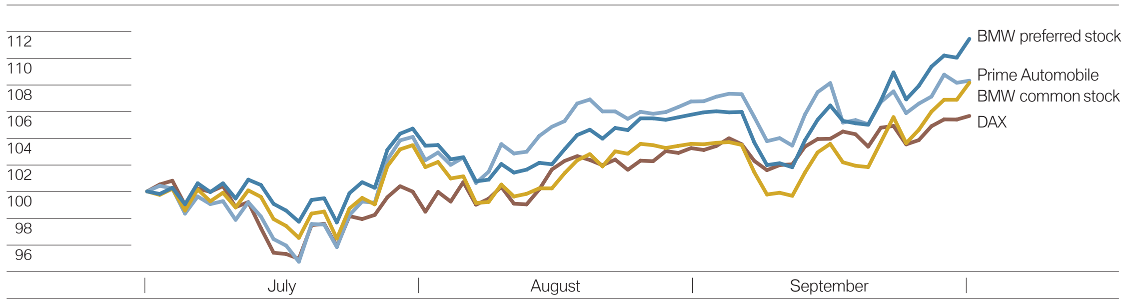
The continuous improvement achieved in the quality of communication with the financial markets went down very positively with market participants. During the third quarter, the BMW Group's investor relations team was judged to be the best team in the sector, winning first place in the Extel Survey for its work in 2005.

The BMW Group also intensified its efforts with SRI investors during the third quarter, aiming to improve contacts with those financial market participants who make their investment decisions on the basis of sustainable criteria. As the sector leader for sustainable business, the BMW Group has occupied top places in the Dow Jones Sustainability Indices for many years and was able, in the recently completed evaluation, to defend its first position from the previous year. The BMW Group is the only enterprise from the automobile sector to have been represented in the Dow Jones Sustainability Index World and in the Dow Jones Sustainability STOXX Index without interruption since the index was created in 1999.

Buy-back of preferred stock for employee share scheme

BMW AG has allowed employees to participate in its success for more than 30 years; since 1989, this participation has been in the form of an employee share scheme. The Board of Management of BMW AG has decided to continue this scheme in 2006. In order to be able to settle the subsequent issue of shares to employees, it is planned to acquire up to 1.5 million preferred shares via the stock exchange. Further information can be found under www.bmwgroup.com/ir; progress of the buy-back programme is reported there on a regular basis.

Development of BMW common and preferred stock compared to stock exchange indices
(Index: 30 June 2006 = 100)



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Analysis of the Interim Group Financial Statements

Earnings performance

Earnings performance for the third quarter 2006

Group revenues for the third quarter fell, as expected, by 1.4 % to euro 11,557 million as model life-cycle factors resulted in lower sales volumes. Within group revenues, external revenues of the Automobiles segment were down by 5.6 % compared to the same quarter last year. External revenues of the Motorcycles and Financial Services segments increased by 2.2 % and 15.6 % respectively compared to the third quarter 2005. Revenues from other activities of the Group amounted to euro 46 million and related mainly to the softlab Group. The comparable figure for the third quarter 2005 was euro 19 million.

Cost of sales totalled euro 8,918 million, decreasing 2.1 percentage points more than the decrease in revenues. Amongst other factors, this was due to the fact that exchange losses were lower than in the third quarter 2005. Compared to that quarter, the gross profit improved to euro 2,639 million (+ 6.5 %) and the gross profit percentage improved to 22.8 % (third quarter 2005: 21.2 %). The gross profit of Industrial operations improved by 1.8 percentage points to 20.0 % and that of Financial operations increased marginally (by 0.2 percentage points) to 11.8 %.

Sales and administrative costs increased by 4.5 % and represent 10.2 % (third quarter 2005: 9.6 %) of revenues.

Research and development costs increased by 4.5 % compared to the same quarter last year and represent 5.2 % (third quarter 2005: 4.9 %) of revenues. Research and development costs include amortisation of capitalised development costs amounting to euro 238 million (third quarter 2005: euro 188 million). Total research and development costs for the third quarter 2006 were unchanged at euro 737 million. This figure comprises research costs, development costs not recognised as assets and capitalised development costs. This gives a research and development expenditure ratio for the third quarter 2006 of 6.4 % (third quarter 2005: 6.3 %).

Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs amounted to euro 847 million (third quarter 2005: euro 794 million).

The positive net amount from other operating income and expenses decreased compared to the third quarter 2005, mainly due to the lower level of income from the reversal of write-downs and lower sundry operating income.

The financial result further improved compared to the same quarter last year. Within the financial result, other financial result improved by euro 25 million. This was despite the fact that a fair value loss of euro 24 million was recognised in the third quarter 2006 on the remaining exchangeable bond option obligation relating to the BMW Group's investment in Rolls-Royce plc, London, and is included in other financial result. In the third quarter 2005, the option obligation had resulted in the recognition of a loss of euro 175 million. The result from other financial instruments deteriorated compared to the same quarter last year. Also within the financial result, the result from investments improved by euro 24 million and the net interest expense increased by euro 3 million.

Despite the lower sales volume, the profit before tax for the third quarter 2006 improved by 9.4 %. Income tax expense increased mainly as a result of the fact that certain special factors no longer applied during the quarter under report. The effective tax rate was 37.2 % (third quarter 2005: 30.9 %).

The BMW Group generated a net profit of euro 452 million for the third quarter 2006, euro 3 million or 0.7 % lower than in the same quarter last year. The post-tax return on sales was unchanged at 3.9 %.

In the third quarter, the Group generated earnings per share of common stock of euro 0.69 (third quarter 2005: euro 0.68) and earnings per share of preferred stock of euro 0.69 (third quarter 2005: euro 0.68).

Earnings performance for the first nine months of 2006

On a nine-month basis, group revenues rose by 6.2% to euro 36,368 million. Within group revenues, external revenues of the Automobiles and Financial segments were 2.5% and 23.3% ahead of the corresponding period in 2005. External revenues of the Motorcycles segment were slightly lower (–0.8%) than one year earlier. Revenues from other activities of the Group amounted to euro 140 million and related mainly to the softlab Group. The comparable figure for revenues from other activities of the Group was euro 69 million.

Cost of sales amounted to euro 28,062 million, increasing by 6.1% and therefore at a slightly lower pace than the increase in revenues. The gross profit improved by 6.7% compared to the first nine months of 2005. Despite adverse external factors, the gross profit percentage, at 22.8%, was marginally higher than one year earlier (22.7%). The gross profit of Industrial operations fell by only 0.2 percentage points to 20.3% and that of Financial operations fell by 1.2 percentage points to 11.1%.

Sales and administrative costs increased by 4.3% compared to the corresponding period last year and represent 10.0% (first nine months 2005: 10.1%) of revenues.

Research and development costs increased by 0.8% compared to the first nine months of 2005, and represent 5.0% (first nine months 2005: 5.3%) of revenues. Research and development costs include amortisation of capitalised development costs amounting to euro 608 million (first nine months 2005: euro 541 million). Total research and development costs for the first nine months of 2006 amounted to euro 2,174 million (first nine months 2005: euro 2,160 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. The research and development expenditure ratio for the nine-month period was 6.0% (first nine months 2005: 6.3%).

Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs amounted to euro 2,354 million (first nine months 2005: euro 2,272 million).

The positive net amount from other operating income and expenses also decreased compared to one year earlier on a nine-month basis, mainly due to the lower level of income from the reversal of write-downs and lower sundry operating income.

The financial result for the nine-month period improved by euro 627 million. This includes the one-off gain of euro 375 million arising on the partial settlement of the exchangeable bond on Rolls-Royce plc shares. This gain is reported mostly in other financial result and the remainder in net interest result. A fair value loss of euro 15 million was recognised in the nine-month period on the remaining exchangeable bond option obligation relating to the BMW Group's investment in Rolls-Royce plc, London, and is included in other financial result. The corresponding amount recorded in the first nine months of the previous year was a loss of euro 231 million. Within the financial result, the result from investments and net interest expense improved by euro 21 million and euro 9 million respectively.

The profit before tax for the nine-month period increased by 34.9% to euro 3,248 million. Excluding the impact of the partial settlement of the exchangeable bond on Rolls-Royce plc shares and the fair market loss on the option obligation, the profit before tax improved by 9.5% to euro 2,888 million. The income tax expense increased by euro 304 million, and the effective tax rate, at 32.7%, was slightly higher than one year earlier (first nine months 2005: 31.4%).

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The BMW Group recorded a net profit of euro 2,187 million for the first nine months of 2006, euro 537 million or 32.5 % higher than for the corresponding period last year. The post-tax return on sales was 6.0 % (first nine months 2005: 4.8 %). Excluding the gain on the exchangeable bond, the post-tax return on sales was 5.0 % (first nine months 2005: 5.5 %).

For the first nine months of 2006, the Group generated earnings per share of common stock of euro 3.33 (first nine months 2005: euro 2.45) and earnings per share of preferred stock of euro 3.34 (first nine months 2005: euro 2.46).

Earnings performance by segment

Model life-cycle factors affecting the Automobiles segment resulted in corresponding decreases in revenues and earnings in the third quarter 2006. Segment revenues and segment profit before tax fell by 5.3 % and 5.7 % respectively. The pre-tax return on sales, at 5.5 %, was at the previous year's level. Segment revenues for the nine-month period rose by 5.0 %, whilst the segment profit before tax went up by 6.6 % to euro 2,319 million. The pre-tax return on sales, at 6.6 %, was marginally above the previous year's comparable level (+ 0.1 percentage points).

Revenues of the Motorcycles segment for the third quarter 2006 increased by 2.2 %. Segment profit before tax for the quarter, at euro 4 million, was unchanged. Segment revenues of euro 1,010 million for the nine-month period were roughly at the previous year's level. The segment profit before tax for the nine-month period, at euro 89 million, was up by 1.1 % compared to the previous year.

Revenues of the Financial Services segment for the third quarter 2006 increased by 12.6 %. Thanks to the higher business volume, the segment profit before tax was up 9.0 % compared to the figure reported for the third quarter 2005. On a nine-month basis, segment revenues and segment profit before tax were 20.1 % and 11.9 % ahead of the comparable figures for 2005.

Reconciliations to the Group profit were negative in the third quarter 2006; the net expense of euro 77 million was largely attributable to fair value losses on financial instruments. In the previous year, the third quarter was affected mainly by the fair value loss on the exchangeable bond option relating to the BMW Group investment in Rolls-Royce plc, London. Reconciliations to the Group profit from ordinary activities for the nine-month period gave rise to a positive net result of euro 305 million, an improvement of euro 639 million compared to the

Revenues by segment in the 3rd quarter	Revenues with third parties		Revenues with other segments		Total revenues	
in euro million	2006	2005	2006	2005	2006	2005
Automobiles	8,805	9,330	2,283	2,377	11,088	11,707
Motorcycles	277	271	1	1	278	272
Financial Services	2,429	2,101	274	300	2,703	2,401
Reconciliations	46	19	– 2,558	– 2,678	– 2,512	– 2,659
Group	**11,557**	**11,721**	**–**	**–**	**11,557**	**11,721**

Revenues by segment for the period from 1 January to 30 September in euro million	Revenues with third parties 2006	2005	Revenues with other segments 2006	2005	Total revenues 2006	2005
Automobiles	27,894	27,213	7,368	6,359	35,262	33,572
Motorcycles	1,000	1,008	10	5	1,010	1,013
Financial Services	7,334	5,947	976	972	8,310	6,919
Reconciliations	140	69	–8,354	–7,336	–8,214	–7,267
Group	**36,368**	**34,237**	**–**	**–**	**36,368**	**34,237**

corresponding period last year. This was mainly due to the accounting gain recognised on the partial settlement of the exchangeable bond on Rolls-Royce plc, London, shares and the fair market gain on the related option obligation.

Financial position

The cash flow statements of the BMW Group and its sub-groups show the sources and applications of cash flows for the first nine months of the financial years 2005 and 2006, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to those disclosed in the balance sheet.

Changes in net current assets resulted in a significantly lower cash inflow for the first nine months of the year. The cash inflow from operating activities in the first nine months decreased by euro 1,628 million to euro 7,526 million (first nine months 2005: euro 9,154 million).

The cash outflow for investing activities for the nine-month period amounted to euro 9,020 million

Profit before tax by segment in euro million	3rd quarter 2006	3rd quarter 2005	1 January to 30 September 2006	1 January to 30 September 2005
Automobiles [1]	611	648	2,319	2,175
Motorcycles	4	4	89	88
Financial Services	182	167	535	478
Reconciliations [1]	–77	–161	305	–334
Profit before tax [1]	**720**	**658**	**3,248**	**2,407**
Income taxes	–268	–203	–1,061	–757
Net profit	**452**	**455**	**2,187**	**1,650**

1] Previous year's figures adjusted for new accounting treatment of pension obligations.

and was therefore euro 875 million higher than one year earlier. The significant increase in cash outflow for investing activities was mainly due to the receipt, in the previous year, of the final sales price instalment on the sale of Land Rover totalling euro 1 billion. Capital expenditure on intangible assets and property, plant and equipment resulted in the cash outflow for investing activities increasing by euro 124 million compared to the first nine months of the previous year. Cash outflow in conjunction with the net investment in leased products and receivables from sales financing decreased by euro 106 million. The cash outflow for investing activities was covered by the cash inflow from operating activities by 83.4% (first nine months 2005: 112.4%). In the cash flow statement for Industrial operations, 150.9% (first nine months 2005: 314.6%) of the cash outflow for investing activities was covered by the cash inflow from operating activities. As expected, the cash flow statement for Financial operations shows that cash inflow from operating activities does not cover cash outflow for investing activities due to the high level of investment in leased products and receivables from sales financing.

Cash inflow from financing activities includes inflows of euro 4,717 million from bond issues (first nine months 2005: euro 3,053 million) and outflows from repayments of euro 3,200 million (first nine months 2005: euro 1,726 million).

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group, the various cash flows resulted in a decrease in cash and cash equivalents of euro 248 million (first nine months 2005: increase of euro 126 million).

Net interest-bearing assets relating to Industrial operations (including receivables from Financial operations) amounted to euro 5,740 million at 30 September 2006. This represents an increase of euro 863 million since 31 December 2005. Net interest-bearing assets relating to Industrial operations comprise cash and cash equivalents (euro 1,063 million), marketable securities relating to Industrial operations (euro 1,972 million) and receivables from Financial operations (euro 4,465 million) less financial liabilities relating to Industrial operations. Excluding interest and currency derivatives, the latter amounts to euro 1,760 million.

Net assets position

The balance sheet total of the BMW Group increased by euro 2,934 million or 3.9% compared to 31 December 2005. Adjusted for the effect of currency fluctuations, the balance sheet total rose by 6.8%. The main reason for this increase on the assets side of the balance sheet were leased-out products (+14.4%) and inventories (+16.3%). In the opposite direction, other investments fell by 56.4%. On the equity and liabilities side of the balance sheet, the increase was due to the increase in equity (+7.2%), trade payables (+20.0%) and other liabilities (+16.3%). In the opposite direction, other provisions decreased by 7.1%.

Other investments decreased mainly as a result of the partial settlement of the exchangeable bond on Rolls-Royce plc shares. At 30 September 2006, the stock market price of the remaining shares in Rolls-Royce plc, London, increased again compared to 31 December 2005. Any fair value gains or losses on the shares are recognised directly in other accumulated equity.

Leased products increased by euro 1,639 million. Excluding the effect of currency fluctuations, the increase would have been euro 535 million higher.

Inventories increased to euro 7,592 million, an increase of 16.3% compared to 31 December 2005. The increase was due largely to the build-up of inventory levels in conjunction with the market introduction of new models.

Group equity increased primarily as a result of the net profit for the period. Within group equity, accumulated other equity decreased by euro 269 million. This decrease was due to the euro 374 million reduction in fair value gains on securities, mainly as a result of the partial settlement of the exchangeable bond on Rolls-Royce plc shares. Translation differences reduced other accumulated equity by euro 169 million. In the opposite direction, changes in the fair value of financial instruments increased other accumulated equity by euro 91 million. The increase in interest rates gave rise to actuarial gains of euro 183 million (net of deferred tax) on pension obligations.

Shares of common stock equivalent to 3 % of the share capital of BMW AG were acquired during the period from the third quarter 2005 through to the first quarter 2006 in conjunction with the share buy-back programme and withdrawn from circulation in accordance with the resolution passed by the Board of Management dated 21 February 2006.

The equity ratio of the BMW Group improved overall by 0.7 percentage points to 23.5 %. The equity ratio for Industrial operations was 39.0 % (31 December 2005: 39.1 %) and that for Financial operations was 10.3 % (31 December 2005: 10.4 %).

Other provisions, at euro 5,485 million, were slightly below their level at 31 December 2005. The reduction of euro 421 million was mainly due to lower obligations for on-going operational expenses.

Other liabilities, at euro 6,087 million, were euro 851 million higher than at 31 December 2005, mainly as a result of an increase in accruals and deferred income.

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BMW Group
Group and sub-group Income Statements for the 3rd quarter

in euro million	Notes	Group 2006	Group 2005[2]	Industrial operations[1] 2006	Industrial operations[1] 2005[2]	Financial operations[1] 2006	Financial operations[1] 2005
Revenues	[5]	11,557	11,721	11,416	12,001	2,817	2,498
Cost of sales	[6]	–8,918	–9,242	–9,134	–9,812	–2,484	–2,207
Gross profit		**2,639**	**2,479**	**2,282**	**2,189**	**333**	**291**
Sales and administrative costs	[7]	–1,177	–1,126	–1,051	–1,010	–130	–121
Research and development costs	[8]	–605	–579	–605	–579	–	–
Other operating income	[9]	110	169	73	139	44	36
Other operating expenses	[9]	–85	–77	–67	–70	–28	–23
Profit before financial result		**882**	**866**	**632**	**669**	**219**	**183**
Financial result	[10]	–162	–208	–39	–198	–73	32
Profit before tax		**720**	**658**	**593**	**471**	**146**	**215**
Income taxes	[11]	–268	–203	–225	–139	–53	–76
Net profit		**452**	**455**	**368**	**332**	**93**	**139**
Profit attributable to minority interest		3	–	3	–	–	–
Profit attributable to shareholders of BMW AG		**449**	**455**	**365**	**332**	**93**	**139**
Earnings per share of common stock in euro	[12]	0.69	0.68				
Earnings per share of preferred stock[3] in euro	[12]	0.69	0.68				

1] before consolidation of transactions between the sub-groups
2] adjusted figures
3] In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

BMW Group
Group and sub-group Income Statements for the period from 1 January to 30 September

in euro million	Notes	Group		Industrial operations [1]		Financial operations [1]	
		2006	2005 [2]	2006	2005 [2]	2006	2005
Revenues	[5]	36,368	34,237	36,417	34,657	8,582	7,188
Cost of sales	[6]	– 28,062	– 26,456	– 29,025	– 27,569	– 7,631	– 6,306
Gross profit		**8,306**	**7,781**	**7,392**	**7,088**	**951**	**882**
Sales and administrative costs	[7]	– 3,620	– 3,470	– 3,254	– 3,139	– 380	– 345
Research and development costs	[8]	– 1,812	– 1,798	– 1,812	– 1,798	–	–
Other operating income	[9]	465	570	371	502	122	81
Other operating expenses	[9]	– 308	– 266	– 265	– 246	– 76	– 61
Profit before financial result		**3,031**	**2,817**	**2,432**	**2,407**	**617**	**557**
Financial result	[10]	217	– 410	345	– 365	– 29	29
Profit before tax		**3,248**	**2,407**	**2,777**	**2,042**	**588**	**586**
Income taxes	[11]	– 1,061	– 757	– 911	– 638	– 196	– 203
Net profit		**2,187**	**1,650**	**1,866**	**1,404**	**392**	**383**
Profit attributable to minority interest		4	–	4	–	–	–
Profit attributable to shareholders of BMW AG		**2,183**	**1,650**	**1,862**	**1,404**	**392**	**383**
Earnings per share of common stock in euro	[12]	3.33	2.45				
Earnings per share of preferred stock [3] in euro	[12]	3.34	2.46				

1] before consolidation of transactions between the sub-groups
2] adjusted figures
3] In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

BMW Group
Group and sub-group Balance Sheets

Assets in euro million	Notes	Group 30.9.2006	Group 31.12.2005	Industrial operations[1] 30.9.2006	Industrial operations[1] 31.12.2005	Financial operations[1] 30.9.2006	Financial operations[1] 31.12.2005
Intangible assets	[13]	4,981	4,593	4,940	4,569	41	24
Property, plant and equipment	[14]	10,870	11,087	10,846	11,060	24	27
Leased products	[15]	13,014	11,375	286	230	15,719	14,110
Investments accounted for using the equity method	[16]	103	94	103	94	–	–
Other investments	[16]	514	1,178	396	1,147	118	31
Receivables from sales financing	[17]	17,355	17,202	–	–	17,355	17,202
Financial assets	[18]	619	642	109	126	510	516
Deferred tax	[19]	913	772	1,184	1,144	– 1,636	– 1,674
Other assets	[20]	572	613	971	908	366	273
Non-current assets		**48,941**	**47,556**	**18,835**	**19,278**	**32,497**	**30,509**
Inventories	[21]	7,592	6,527	7,585	6,521	7	6
Trade receivables		2,144	2,135	2,099	2,086	45	49
Receivables from sales financing	[17]	12,119	11,851	–	–	12,119	11,851
Financial assets	[18]	2,908	2,654	2,225	2,022	683	632
Current tax	[19]	255	267	240	238	15	29
Other assets	[20]	2,168	1,955	5,459	3,411	861	753
Cash and cash equivalents		1,373	1,621	1,063	1,372	310	249
Current assets		**28,559**	**27,010**	**18,671**	**15,650**	**14,040**	**13,569**
Total assets		**77,500**	**74,566**	**37,506**	**34,928**	**46,537**	**44,078**
Total assets adjusted for asset backed financing transactions		73,875	70,667	–	–	42,912	40,179

1] before consolidation of transactions between the sub-groups

Equity and liabilities in euro million	Notes	Group 30.9.2006	Group 31.12.2005	Industrial operations[1] 30.9.2006	Industrial operations[1] 31.12.2005	Financial operations[1] 30.9.2006	Financial operations[1] 31.12.2005
Subscribed capital		654	674				
Capital reserves		1,911	1,971				
Revenue reserves		17,436	16,351				
Accumulated other equity		– 1,786	– 1,517				
Treasury shares		– 29	– 506				
Minority interest		2	–				
Equity	[22]	**18,188**	**16,973**	**14,616**	**13,672**	**4,790**	**4,581**
Pension provisions		5,080	5,255	5,046	5,220	34	35
Other provisions	[23]	3,343	3,243	2,855	2,921	488	322
Deferred tax	[24]	2,976	2,522	2,135	1,611	571	658
Financial liabilities	[25]	17,161	16,830	1,086	1,070	16,075	15,760
Other liabilities	[26]	1,762	1,659	1,301	1,224	1,700	1,457
Non-current provisions and liabilities		**30,322**	**29,509**	**12,423**	**12,046**	**18,868**	**18,232**
Other provisions	[23]	2,142	2,663	1,958	2,367	213	328
Current tax	[24]	605	462	452	322	153	140
Financial liabilities	[25]	17,665	17,838	831	655	16,834	17,183
Trade payables		4,253	3,544	3,837	3,118	416	426
Other liabilities	[26]	4,325	3,577	3,389	2,748	5,263	3,188
Current provisions and liabilities		**28,990**	**28,084**	**10,467**	**9,210**	**22,879**	**21,265**
Total equity and liabilities		**77,500**	**74,566**	**37,506**	**34,928**	**46,537**	**44,078**
Total equity and liabilities adjusted for asset backed financing transactions		73,875	70,667	–	–	42,912	40,179

1] before consolidation of transactions between the sub-groups

BMW Group
Group and sub-group Cash Flow Statements for the period from 1 January to 30 September

in euro million	Group	
	2006	2005[1]
Net profit	2,187	1,650
Depreciation of leased products	2,864	2,480
Depreciation and amortisation of tangible, intangible and investment assets	2,394	2,272
Change in provisions	–1	102
Change in deferred tax	301	344
Change in net current assets and other items	–219	2,306
Cash inflow from operating activities	**7,526**	**9,154**
Investment in intangible assets and property, plant and equipment	–2,617	–2,493
Net investment in leased products and receivables from sales financing	–6,361	–6,467
Other	–42	815
Cash outflow from investing activities	**–9,020**	**–8,145**
Cash inflow/outflow from financing activities	**1,171**	**–821**
Effect of exchange rate and changes in composition of group on cash and cash equivalents	**75**	**–62**
Change in cash and cash equivalents	**–248**	**126**
Cash and cash equivalents at 1 January	1,621	2,128
Cash and cash equivalents at 30 September	**1,373**	**2,254**

1] adjusted figures

Industrial operations 2006	Industrial operations 2005[1]	Financial operations 2006	Financial operations 2005	
1,866	1,404	392	383	Net profit
3	4	2,693	2,116	Depreciation of leased products
2,362	2,237	32	35	Depreciation and amortisation of tangible, intangible and investment assets
– 85	78	84	24	Change in provisions
306	323	41	106	Change in deferred tax
– 454	1,182	286	1,262	Change in net current assets and other items
3,998	**5,228**	**3,528**	**3,926**	**Cash inflow from operating activities**
– 2,564	– 2,440	– 53	– 53	Investment in intangible assets and property, plant and equipment
– 59	– 30	– 6,302	– 6,437	Net investment in leased products and receivables from sales financing
– 26	808	– 16	7	Other
– 2,649	**– 1,662**	**– 6,371**	**– 6,483**	**Cash outflow from investing activities**
– 1,751	**– 3,458**	**2,922**	**2,637**	**Cash inflow/outflow from financing activities**
93	**44**	**– 18**	**– 106**	**Effect of exchange rate and changes in composition of group on cash and cash equivalents**
– 309	**152**	**61**	**– 26**	**Change in cash and cash equivalents**
1,372	1,997	249	131	Cash and cash equivalents at 1 January
1,063	**2,149**	**310**	**105**	**Cash and cash equivalents at 30 September**

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BMW Group
Statement of Changes in Equity

in euro million	Subscribed capital	Capital reserves	Revenue reserves	Accumulated other equity: Translation differences	Accumulated other equity: Fair value measurement of marketable securities	Accumulated other equity: Derivative financial instruments	Accumulated other equity: Pension obligations	Treasury shares	Minority interest	Total
31 December 2004 [1]	**674**	**1,971**	**14,531**	**– 763**	**62**	**1,072**	**– 1,013**	**–**	**–**	**16,534**
Acquisition of treasury shares	–	–	–	–	–	–	–	– 22	–	– 22
Dividends paid	–	–	– 419	–	–	–	–	–	–	– 419
Translation differences	–	–	–	126	–	102	–	–	–	228
Financial instruments	–	–	–	–	391	– 1,774	–	–	–	– 1,383
Actuarial gains and losses on pension obligations	–	–	–	–	–	–	–	–	–	–
Deferred tax on transactions recognised directly in equity	–	–	–	–	– 1	681	–	–	–	680
Net profit 30 September 2005	–	–	1,650	–	–	–	–	–	–	1,650
30 September 2005 [1]	**674**	**1,971**	**15,762**	**– 637**	**452**	**81**	**– 1,013**	**– 22**	**–**	**17,268**
31 December 2005	**674**	**1,971**	**16,351**	**– 646**	**562**	**29**	**– 1,462**	**– 506**	**–**	**16,973**
Acquisition of treasury shares	–	–	–	–	–	–	–	– 282	–	– 282
Dividends paid	–	–	– 419	–	–	–	–	–	–	– 419
Withdrawal of shares from circulation	– 20	– 60	– 679	–	–	–	–	759	–	–
Translation differences	–	–	–	– 169	–	– 2	– 5	–	–	– 176
Financial instruments	–	–	–	–	– 375	130	–	–	–	– 245
Actuarial gains and losses on pension obligations	–	–	–	–	–	–	305	–	–	305
Deferred tax on transactions recognised directly in equity	–	–	–	–	1	– 37	– 117	–	–	– 153
Net profit 30 September 2006	–	–	2,183	–	–	–	–	–	4	2,187
Other changes	–	–	–	–	–	–	–	–	– 2	– 2
30 September 2006	**654**	**1,911**	**17,436**	**– 815**	**188**	**120**	**– 1,279**	**– 29**	**2**	**18,188**

See also Note [22]
1] adjusted figures

BMW Group
Statement of Income and Expenses recognised directly in Equity for the period from 1 January to 30 September

in euro million	2006	2005 [1]
Fair value gains and losses on available-for-sale investments recognised directly in equity	– 375	391
Fair value gains and losses on financial instruments used for hedging purposes recognised directly in equity	128	– 1,672
Exchange differences arising on the translation of foreign subsidiaries	– 169	126
Actuarial gains and losses on defined benefit pension and similar obligations	300	0
Deferred tax on gains and losses recognised directly in equity	– 153	680
Gains and losses recognised directly in equity	**– 269**	**– 475**
Profit after tax attributable to shareholders of BMW AG	**2,183**	**1,650**
Aggregate amount of net profit for period and gains and losses recognised directly in equity	**1,914**	**1,175**

1] adjusted figures

BMW Group
Notes to the Interim Group Financial Statements to 30 September 2006
Accounting Principles and Policies

[1] Basis of preparation

The Group financial statements of BMW AG at 31 December 2005 were drawn up in accordance with International Financial Reporting Standards (IFRSs), as applicable in the EU. The interim Group financial statements (Interim Report) at 30 September 2006, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as in the 2005 Group financial statements. Necessary changes resulting from the application of new or revised Standards are explained in Note [4]. All Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which are mandatory at 30 September 2006 have also been applied. The interim report also complies with German Accounting Standard No. 6 (GAS 6) – Interim Financial Reporting – issued by the German Accounting Standards Committee e.V. (GASC). The interim Group financial statements have neither been audited nor reviewed by the group auditors, KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft.

Further information about the Group's accounting principles and policies is contained in the BMW Group financial statements at 31 December 2005. The Group currency is the euro. All amounts are disclosed in millions of euros (euro million) unless stated otherwise.

In order to support the sale of its products, the BMW Group provides various financial services – mainly loan and lease financing – to retail customers and to dealers. The inclusion of the financial services activities of the Group therefore has an impact on the interim Group financial statements. In order to provide a better insight into the assets, liabilities, financial position and performance of the Group, additional information is presented in the BMW Group financial statements for Industrial operations and Financial operations. Financial operations include financial services and the activities of the Group financing companies. The operating interest income and expense of Financial operations are included in revenues and cost of sales respectively. The holding companies BMW (UK) Holdings Ltd., Bracknell, BMW Holding B.V., The Hague, BMW Österreich Holding GmbH, Steyr, BMW (US) Holding Corp., Wilmington, BMW España Finance S.L., Madrid, and BMW Holding Malaysia Sdn Bhd, Kuala Lumpur, are allocated to Industrial operations. The main business transactions between Industrial and Financial operations, which are eliminated in the Group financial statements, are internal sales of products, the provision of funds for Group companies and the related interest. These additional disclosures allow the assets, liabilities, financial position and performance of Industrial operations and Financial operations to be presented, in accordance with the recognition and measurement principles stipulated by IFRSs, as if they were two separate groups. This information is provided on a voluntary basis.

In conjunction with the refinancing of financial services business, a significant volume of receivables arising from retail customer and dealer financing is sold. Similarly, rights and obligations relating to leases are sold. The sale of receivables is a well established instrument used by industrial and financial companies. These transactions are usually in the form of "asset backed financing" transactions involving the sale of a portfolio of receivables to a trust which, in turn, issues marketable securities to refinance the purchase price. The BMW Group continues to "service" the receivables and receives an appropriate fee for these services. In accordance with IAS 27 (Consolidated and Separate Financial Statements) and the interpretation contained in SIC-12 (Consolidation – Special Purpose Entities) such assets remain in the Group financial statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet on transfer of the related significant risks and rewards. The balance sheet value of the assets sold at 30 September 2006 totalled euro 3.6 billion (31 December 2005: euro 4.0 billion). For an additional understanding of the asset, liability and financial position of the BMW Group, the Group balance sheet contains a supplementary disclosure of the balance sheet total adjusted for assets which have been sold.

[2] Consolidated companies

The BMW Group financial statements for the third quarter 2006 include, besides BMW AG, 45 German and 146 foreign subsidiaries. This includes 17 special securities funds and 20 trusts, almost all of which are used for asset backed financing. Following the acquisition of the remaining 50 % of the voting rights, F. A. S. T. Gesellschaft für angewandte Softwaretechnologie mbH, Munich, was consolidated for the first time in the third quarter 2006.

Compared to the corresponding periods last year (third quarter and nine-month), entory AG, Ettlingen, Silverstroke AG, Ettlingen, entory S. A. Luxembourg, Luxembourg, Bavaria Reinsurance Malta Ltd., Valletta, BMW Hellas Trade of Cars SA, Athens, Park Lane Ltd., Bracknell, BMW Portugal Lda., Lisbon, BMW Holding Malaysia Sdn Bhd, Kuala Lumpur, BMW Malaysia Sdn Bhd, Kuala Lumpur, BMW Asia Technology Centre Sdn Bhd, Kuala Lumpur, BMW (China) Automotive Trading Ltd., Peking, BMW Leasing (Thailand) Co., Ltd., Bangkok, BMW Danmark A/S, Kolding, BMW International Investment B.V., Rijswijk, and F. A. S. T. Gesellschaft für angewandte Softwaretechnologie mbH, Munich, are included for the first time in the income statements for the third quarter 2006 and for the first nine months of 2006.

The changes in the composition of the Group do not have a material impact on the earnings performance, financial position and net assets of the Group.

[3] New financial reporting rules

No new financial reporting rules were required to be applied for the first time in the third quarter 2006. The IASB issued IFRIC 10 (Interim Financial Reporting and Impairment) in the third quarter 2006. IFRIC 10 becomes effective for annual periods beginning after 1 November 2006. This Interpretation will not have a significant impact on the BMW Group.

[4] Changes to the interim financial statements for the third quarter 2005 and for the first nine months of 2005

The IASB issued Amendment to IAS 19 (Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosure) in December 2004 permitting actuarial gains and losses arising in conjunction with defined benefit pension obligations to be recognised directly in equity.

Under the corridor method used by the BMW Group up to 30 September 2005, actuarial gains and losses were recognised when their net cumulative amount exceeded the higher of the present value of the obligations and the fair value of plan assets at the end of the preceding period by more than 10 % (10 percent corridor). The amount exceeding the corridor was required to be recognised as income or expense over the average remaining working lives of the employees participating in the plans concerned. Fluctuations in the net cumulative amount of actuarial gains and losses within the corridor were not recognised. Unrecognised actuarial losses represented a short-fall in the amount recognised as liabilities in the balance sheet.

In accordance with the new accounting option for pension obligations, the full amount of previously unrecognised actuarial gains and losses is recognised directly in equity. The revised rules do not envisage recognition through profit or loss of the amount by which actuarial gains and losses exceed the 10 percent corridor.

In order to improve transparency in its financial reporting, the BMW Group has elected to apply the option made available by the IASB to change the accounting treatment for pension obligations and adopted the amendment at 31 December 2005.

The following components of the financial statements are affected by the change in accounting policy for defined benefit pension obligations:
- Group and sub-group Income Statements
- Group and sub-group Balance Sheets
- Group and sub-group Cash Flow Statements
- Statement of Changes in Equity
- Segment Information

Attention is drawn by footnotes in the notes to the group financial statements to the adjustments made to prior year figures.

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[5] Revenues

Revenues by activity comprise the following:

in euro million	3rd quarter 2006	3rd quarter 2005	1 January to 30 September 2006	1 January to 30 September 2005
Sales of products and related goods	9,021	9,401	28,711	27,898
Income from lease instalments	1,070	870	3,073	2,386
Sales of products previously leased to customers	754	737	2,524	2,102
Interest income on loan financing	504	415	1,418	1,200
Other income	208	298	642	651
Revenues	**11,557**	**11,721**	**36,368**	**34,237**

An analysis of revenues by business segment is shown in the segment information on page 39.

[6] Cost of sales

Cost of sales in the third quarter include euro 2,185 million (third quarter 2005: euro 1,888 million) relating to financial services business. For the period from 1 January to 30 September 2006, euro 6,556 million (first nine months 2005: euro 5,314 million) relates to financial services business.

[7] Sales and administrative costs

Sales costs in the third quarter amounted to euro 963 million (third quarter 2005: euro 937 million[1]). For the first nine months of 2005, they amounted euro 2,953 million (first nine months 2005: euro 2,861 million[1]) and comprise mainly marketing, advertising and sales personnel costs.

Administrative costs in the third quarter and first nine months amounted to euro 214 million (third quarter 2005: euro 189 million[1]) and euro 667 million (first nine months 2005: euro 609 million[1]) respectively. These comprise expenses for administration which are not attributable to development, production or sales functions.

[8] Research and development costs

Research and development costs in the third quarter of euro 605 million (third quarter 2005: euro 579 million[1]) comprise all research costs and development costs not recognised as assets as well as amortisation and disposals of capitalised development costs of euro 238 million (third quarter 2005: euro 188 million). Research and development costs for the first nine months of 2006 amounted euro 1,812 million (first nine months 2005: euro 1,798 million[1]). This includes amortisation on capitalised development costs of euro 608 million (first nine months 2005: euro 541 million).

[9] Other operating income and expenses

Other operating income in the third quarter amounted to euro 110 million (third quarter 2005: euro 169 million). For the first nine months of 2005, they amounted to euro 465 million (first nine months 2005: euro 570 million). Other operating expenses in the third quarter amounted to euro 85 million (third quarter 2005: euro 77 million). For the first nine months of 2006, they amounted to euro 308 million (first nine months 2005: euro 266 million).

1] adjusted in accordance with Note [4]

[10] Financial result

in euro million	3rd quarter 2006	3rd quarter 2005	1 January to 30 September 2006	1 January to 30 September 2005
Result on investments	18	– 6	29	8
Net interest expense	– 73	– 70	– 185	– 194
Other financial result	– 107	– 132	373	– 224
Financial result	**– 162**	**– 208**	**217**	**– 410**

The improvement in other financial result for the first nine months of 2006 related to the partial exercise of exchange rights on the BMW Group's investment in Rolls-Royce plc, London.

[11] Income taxes

Taxes on income comprise the following:

in euro million	3rd quarter 2006	3rd quarter 2005 [1]	1 January to 30 September 2006	1 January to 30 September 2005 [1]
Current tax expense	233	84	794	422
Deferred tax expense	35	119	267	335
Income taxes	**268**	**203**	**1,061**	**757**

1] adjusted in accordance with Note [4]

The increase in current tax expense was attributable to the higher pre-tax profit. In addition, the previous year's figures include tax reimbursements.

[12] Earnings per share

The computation of earnings per share is based on the following figures:

in euro million		3rd quarter 2006	3rd quarter 2005 [1]	1 January to 30 September 2006	1 January to 30 September 2005 [1]
Profit attributable to the shareholders	euro million	448.9	455.4	2,183.4	1,650.0
Profit attributable to common stock	euro million (rounded)	413.3	420.9	2,010.9	1,523.3
Profit attributable to preferred stock	euro million (rounded)	35.6	34.5	172.5	126.7
Average number of common stock shares in circulation	number	601,995,196	622,227,918	602,617,165	622,227,918
Average number of preferred stock shares in circulation	number	51,446,162	51,446,162	51,446,162	51,446,162
Earnings per share of common stock	euro	**0.69**	**0.68**	**3.33**	**2.45**
Earnings per share of preferred stock	euro	**0.69**	**0.68**	**3.34**	**2.46**

1] adjusted in accordance with Note [4]

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Earnings per share are calculated for common and preferred stock by dividing the net profit after minority interests, as attributable to each category of stock, by the average number of shares in circulation.

In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year. Earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years. Diluted earnings per share were not applicable in either of the reporting periods.

[13] Intangible assets

Intangible assets comprise capitalised development costs on vehicle and engine projects as well as subsidies for tool costs, licences, purchased development projects and software. Capitalised development costs at 30 September 2006 amounted to euro 4,508 million (31 December 2005: euro 4,146 million). Capital expenditure for development costs in the first nine months of 2006 was euro 970 million (first nine months 2005: euro 903 million). Amortisation amounted to euro 608 million (first nine months 2005: euro 541 million).

[14] Property, plant and equipment

Capital expenditure for property, plant and equipment in the first nine months of 2006 was euro 1,572 million (first nine months 2005: euro 1,525 million). The depreciation expense for the same period amounted to euro 1,689 million (first nine months 2005: euro 1,663 million).

[15] Leased products

Additions to leased products and depreciation thereon amounted to euro 6,319 million (first nine months 2005: euro 5,268 million) and euro 1,216 million (first nine months 2005: euro 807 million) respectively. Disposals amounted to euro 2,916 million (first nine months 2005: euro 2,419 million). The translation of foreign currency financial statements resulted in a net translation loss of euro 548 million (first nine months 2005: net translation gain of euro 892 million).

[16] Investments accounted for using the equity method and Other investments

Investments accounted for using the equity method relate to interests in joint ventures.

Other investments relate primarily to investments in non-consolidated subsidiaries and to equity investments in other entities.

[17] Receivables from sales financing

Receivables from sales financing totalling euro 29,474 million (31 December 2005: euro 29,053 million) relate to credit financing for retail customers and dealers and to finance leases.

Receivables from sales financing include euro 17,355 million (31 December 2005: euro 17,202 million) with a remaining term of more than one year.

[18] Financial assets

Financial assets comprise:

in euro million	30.9.2006	31.12.2005
Interest and currency derivatives	1,055	806
Marketable securities and investment funds	2,066	2,074
Loans to third parties	62	90
Other	344	326
Financial assets	**3,527**	**3,296**
thereof non-current	619	642
thereof current	2,908	2,654

The increase in interest and currency derivatives was attributable primarily to increases in fair values due to changed exchange rate parities with the US dollar.

[19] Income tax assets

Income tax assets can be analysed as follows:

30 September 2006 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	913	913
Current tax	255	–	255
Income tax assets	**255**	**913**	**1,168**

31 December 2005 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	772	772
Current tax	267	–	267
Income tax assets	**267**	**772**	**1,039**

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[20] Other assets

in euro million	30.9.2006	31.12.2005
Other taxes	570	418
Receivables from subsidiaries	645	766
Receivables from other companies in which an investment is held	156	87
Prepayments	699	635
Sundry other assets	670	662
Other assets	**2,740**	**2,568**
thereof non-current	572	613
thereof current	2,168	1,955

[21] Inventories

Inventories comprise the following:

in euro million	30.9.2006	31.12.2005
Raw materials and supplies	721	674
Work in progress, unbilled contracts	904	931
Finished goods	5,233	4,042
Goods for resale	734	880
Inventories	**7,592**	**6,527**

The increase is due largely to the build-up of inventory in conjunction with dealer stocking for new models.

[22] Equity

The Group Statement of Changes in Equity is shown on page 28.

Treasury shares

At the Annual General Meeting of BMW AG on 12 May 2005, the shareholders authorised the Board of Management to acquire treasury shares via the stock exchange, up to a maximum of 10 % of the share capital in place at the date of the resolution and to withdraw these shares for circulation without any further resolution by the Annual General Meeting. The authorisation for the buy-back remains valid until 11 November 2006.

In conjunction with this authorisation, the Board of Management of BMW AG resolved on 20 September 2005 to put a programme in place to buy back shares via the stock exchange. Under this programme, 3 % of BMW AG's common stock was acquired.

Up to 17 February 2006, a total of 20,232,722 treasury shares of common stock were bought back via the stock exchange at an average price per share of euro 37.47 and a total acquisition cost of euro 758 million; these shares were withdrawn from circulation in accordance with the resolution taken by the Board of Management on 21 February 2006. Equity was reduced by the buy-back amount.

Transaction costs amounted to euro 0.776 million (net of income tax effect) and were recognised directly in equity.

At the Annual General Meeting of BMW AG held on 16 May 2006, the shareholders passed the resolution proposed by the Board of Management and the Supervisory Board to withdraw the current authorisation and to authorise the Company again, up to 15 November 2007, to acquire treasury shares (common and/or preferred stock) via the stock exchange, up to a maximum of 10% of the share capital in place at the date of the resolution and to withdraw these shares from circulation without any further resolution by the Annual General Meeting. It has not yet been decided whether or the extent to which the authorisation will be used.

During the first nine months of 2006, the BMW Group acquired 750,000 shares of BMW preferred stock at an average price of euro 38.07 per share. It is intended to issue these shares to employees during the financial year 2006 at a reduced price in conjunction with an employee share scheme. These shares of preferred stock are subject to a vesting period of four years.

Equity attributable to shareholders

Equity attributable to shareholders of BMW AG at 30 September 2006 amounted to euro 18,188 million (31 December 2005: euro 16,973 million).

Equity attributable to minority interests amounted to euro 2 million (31 December 2005: euro 0.188 million). This includes a minority interest of euro 4 million in subsidiaries' results for the period (31 December 2005: euro 0.026 million).

[23] Other Provisions

Other provisions, at euro 5,485 million (31 December 2005: euro 5,906 million) include primarily personnel-related obligations and obligations for on-going operational expenses.

Current provisions at 30 September 2006 amounted to euro 2,142 million (31 December 2005: euro 2,663 million).

[24] Income tax liabilities

30 September 2006 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,976	2,976
Current tax	600	5	605
Income tax liabilities	**600**	**2,981**	**3,581**

31 December 2005 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,522	2,522
Current tax	459	3	462
Income tax liabilities	**459**	**2,525**	**2,984**

Current tax liabilities of euro 605 million (31 December 2005: euro 462 million) comprise euro 570 million (31 December 2005: euro 243 million) for tax provisions and euro 35 million (31 December 2005: euro 219 million) for taxes payable.

[25] Financial liabilities

Financial liabilities include all obligations of the BMW Group relating to financing activities and comprise:

in euro million	30.9.2006	31.12.2005
Bonds	15,899	15,162
Liabilities to banks	3,891	3,653
Liabilities from customer deposits (banking)	5,891	6,392
Commercial paper	4,091	3,814
Asset backed financing transactions	3,625	3,899
Interest and currency derivatives	472	850
Other	957	898
Financial liabilities	**34,826**	**34,668**
thereof non-current	17,161	16,830
thereof current	17,665	17,838

Other financial liabilities relate primarily to obligations recognised under finance leases.

[26] Other liabilities

Other liabilities comprise the following items:

in euro million	30.9.2006	31.12.2005
Other taxes	638	329
Social security	26	122
Advance payments from customers	429	366
Deposits received	146	164
Liabilities to subsidiaries	66	39
Liabilities to other companies in which an investment is held	35	2
Deferred income	2,490	2,421
Sundry other liabilities	2,257	1,793
Other liabilities	**6,087**	**5,236**
thereof non-current	1,762	1,659
thereof current	4,325	3,577

[27] Explanatory comments to segment information

The activities of the various segments are described in the Group financial statements of BMW AG at 31 December 2005.

Segment information for the third quarter 2006 is as follows:

Segment information by business segment in euro million		Automobiles 2006	2005 1]	Motorcycles 2006	2005	Financial Services 2006	2005	Reconciliations 2006	2005 1]	Group 2006	2005 1]
Revenues with third parties		8,805	9,330	277	271	2,429	2,101	46	19	11,557	11,721
Inter-segment revenues		2,283	2,377	1	1	274	300	– 2,558	– 2,678	–	–
Total revenues		11,088	11,707	278	272	2,703	2,401	– 2,512	– 2,659	11,557	11,721
Profit before financial result		631	673	7	6	186	164	58	23	882	866
Result from equity method accounting		2	– 19	–	–	–	–	–	–	2	– 19
Other net financial result		– 22	– 6	– 3	– 2	– 4	3	– 135	– 184	– 164	– 189
Profit before tax		611	648	4	4	182	167	– 77	– 161	720	658
Return on sales	%	5.5	5.5	1.4	1.5	6.7	7.0	–	–	6.2	5.6

1] adjusted figures

Segment information for the first nine months of 2006 is as follows:

Segment information by business segment in euro million		Automobiles 2006	2005 1]	Motorcycles 2006	2005	Financial Services 2006	2005	Reconciliations 2006	2005 1]	Group 2006	2005 1]
Revenues with third parties		27,894	27,213	1,000	1,008	7,334	5,947	140	69	36,368	34,237
Inter-segment revenues		7,368	6,359	10	5	976	972	– 8,354	– 7,336	–	–
Total revenues		35,262	33,572	1,010	1,013	8,310	6,919	– 8,214	– 7,267	36,368	34,237
Profit before financial result		2,336	2,309	96	93	542	489	57	– 74	3,031	2,817
Result from equity method accounting		12	– 20	–	–	–	–	–	–	12	– 20
Other net financial result		– 29	– 114	– 7	– 5	– 7	– 11	248	– 260	205	– 390
Profit before tax		2,319	2,175	89	88	535	478	305	– 334	3,248	2,407
Return on sales	%	6.6	6.5	8.8	8.7	6.4	6.9	–	–	8.9	7.0

1] adjusted figures

Q3

Financial calendar

Annual Report 2006	14 March 2007
Interim Report to 31 March 2007	3 May 2007
Annual General Meeting	15 May 2007
Interim Report to 30 June 2007	1 August 2007
Interim Report to 30 September 2007	6 November 2007

Contacts

Business Press

Telephone	+49 89 382-2 33 62
	+49 89 382-2 41 18
Fax	+49 89 382-2 44 18
E-mail	presse@bmwgroup.com

Investor Relations

Telephone	+49 89 382-2 42 72
	+49 89 382-2 53 87
Fax	+49 89 382-2 44 18
E-mail	ir@bmwgroup.com

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Aktiengesellschaft
80788 Munich
Germany
Telephone +49 89 382-0