

Financial Statements of BMW AG

Financial Year 2006

BMW Group

Rolls-Royce
Motor Cars Limited



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		2006	2005	Change in %
Revenues	euro million	42,417	41,801	1.5
Export ratio	%	74.3	73.0	
Production				
Automobiles	units	1,366,838	1,323,119	3.3
Motorcycles ¹⁾	units	103,759	92,012	12.8
Sales volume				
Automobiles	units	1,358,119	1,334,426	1.8
Motorcycles ¹⁾	units	102,786	95,343	7.8
Capital expenditure	euro million	1,324	1,472	-10.1
Depreciation and amortisation	euro million	1,765	1,770	-0.3
Workforce at year-end		76,156	76,536	-0.5
of which wage-earners		40,558	41,272	-1.7
of which salary-earners		29,699	29,371	1.1
Tangible, intangible and investment assets	euro million	10,171	10,577	-3.8
Current assets and prepayments	euro million	10,874	9,225	17.9
Subscribed capital	euro million	654	661	-1.1
Reserves	euro million	3,809	4,023	-5.3
Equity	euro million	4,921	5,108	-3.7
as % of tangible, intangible and investment assets	%	48.4	48.3	
Long-term liabilities ²⁾	euro million	4,786	4,723	1.3
Long-term equity and liabilities ³⁾	euro million	9,707	9,831	-1.3
as % of tangible, intangible and investment assets	%	95.4	92.9	
Balance sheet total	euro million	21,045	19,802	6.3
Cost of materials	euro million	31,867	31,010	2.8
Personnel costs	euro million	5,503	6,128	-10.2
Taxes	euro million	75	-37	
Net profit	euro million	485	424	14.4
Dividend	euro million	458 ⁴⁾	424 ⁵⁾	8.0
per share of common stock with a par value of euro 1 each	euro	0.70 ⁴⁾	0.64	
per share of preferred stock with a par value of euro 1 each	euro	0.72 ⁴⁾	0.66	

1) including assembly of BMW G 650 X by Piaggio S.p.A.

2) Registered profit-sharing certificates, pension provision, liability to BMW Unterstützungsvereins e.V., liabilities falling due later than one year

3) Equity, long-term liabilities

4) Proposed by the Board of Management

5) before buy-back of treasury shares

The BMW AG Financial Statements and Management Report for the financial year 2006 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. The Management Report of BMW AG is combined with the Group Management Report and published in the BMW Group Annual Report 2006.

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in euro million	Notes	2006	2005
Assets			
Intangible assets	[1]	80	86
Property, plant and equipment		5,268	5,717
Investments	[2]	4,823	4,774
Tangible, intangible and investment assets		10,171	10,577
Inventories	[3]	2,866	2,764
Trade receivables	[4]	1,075	1,054
Receivables from subsidiaries	[4]	4,478	2,751
Other receivables and other assets	[4]	693	558
Marketable securities	[5]	1,583	1,488
Cash and cash equivalents	[6]	106	518
Current assets		10,801	9,133
Prepayments		73	92
		21,045	19,802
Equity and liabilities			
Subscribed capital	[7]	654	674
Par value of Treasury shares			-13
Issued share capital			661
Capital reserves	[7]	1,991	1,971
Revenue reserves	[8]	1,818	2,052
Unappropriated profit available for distribution		458	424
Equity		4,921	5,108
Registered profit-sharing certificates	[9]	34	35
Special untaxed reserve for emission rights granted free of charge		1	-
Pension provisions		4,347	4,174
Other provisions		6,131	6,447
Provisions	[10]	10,478	10,621
Liabilities to banks		607	500
Trade payables		2,046	1,858
Liabilities to subsidiaries		1,618	941
Other liabilities		1,313	710
Liabilities	[11]	5,584	4,009
Deferred income		27	29
		21,045	19,802

in euro million	Notes	2006	2005
Revenues	[12]	42,417	41,801
Cost of sales		-36,364	-36,379
Gross profit		6,053	5,422
Sales costs		-2,560	-2,731
Administrative costs		-917	-904
Research and development costs		-2,966	-2,917
Other operating income and expenses	[13] [14]	654	893
Result from investments	[15]	304	647
Net interest result	[16]	-8	-23
Profit from ordinary activities		560	387
Income taxes	[17]	-60	50
Other taxes		-15	-13
Net profit		485	424
Accumulated profit brought forward		4	-
Transfer to revenue reserves		-31	-
Unappropriated profit available for distribution		458	424

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in euro million	Acquisition and manufacturing cost				31.12.2006
	1.1.2006	Additions	Reclassifications	Disposals	
Intangible assets	262	35	-	44	253
Land, titles to land, buildings, including buildings on third party land	2,782	100	61	15	2,928
Plant and machinery	14,791	908	194	1,174	14,719
Other facilities, factory and office equipment	1,178	91	6	122	1,153
Advance payments made and construction in progress	273	190	-261	1	201
Property, plant and equipment	19,024	1,289	-	1,312	19,001
Investment in subsidiaries	4,762	50	-	1	4,811
Investment in other companies	16	-	-	-	16
Other non-current loans receivable	1	-	-	-	1
Investments	4,779	50	-	1	4,828
Tangible, intangible and investment assets	24,065	1,374	-	1,357	24,082

*including impairment loss of euro 6 million

	Depreciation and amortisation			Net book values	
	1.1.2006	Current year	Disposals	31.12.2006	31.12.2005
	176	40	43	173	
					80
	1,201	79*	10	1,270	1,658
	11,188	1,533*	1,169	11,552	3,167
	918	113	120	911	242
	-	-	-	-	201
	13,307	1,725	1,299	13,733	5,268
	-	-	-	-	4,811
	4	-	-	4	12
	1	-	-	1	-
	5	-	-	5	4,823
	13,488	1,765	1,342	13,911	10,171
					10,577

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In order to improve clarity, individual items are aggregated in the balance sheet and income statement and presented separately in the notes to the financial statements.

Purchased intangible assets are valued at acquisition cost and amortised over their estimated useful lives using the straight-line method.

Property, plant and equipment are measured at acquisition or at manufacturing cost based on tax regulations, less accumulated depreciation. Depreciable items of property, plant and equipment with a useful life of more than five years are depreciated as a general rule using the reducing balance method based on the highest rates permitted for tax purposes. The Company applies straight-line depreciation as soon as this gives rise to a higher depreciation expense. Expenditure on low value tangible, intangible and investment assets is written off in full in the year of acquisition. The Company applies all special depreciation permitted under German tax legislation.

Factory and office buildings and distribution facilities which form an inseparable part of such buildings are depreciated over 8 to 33 years, residential buildings over 25 to 50 years, plant and machinery over 5 to 10 years and other facilities, factory and office equipment mainly over 5 years. For machinery used in multiple-shift operations, depreciation rates are increased to account for the additional utilisation.

Investments in subsidiaries and in other companies are stated at cost or, if lower, at their fair value. When the reasons for an impairment no longer exist, impairment losses previously recorded are reversed in accordance German accounting law, at a maximum up to the level of original cost. Loans which bear no or below market rate of interest are discounted to their present value.

Inventories of raw materials, supplies and goods for resale are stated at the lower of cost and net realisable value. Work in progress and finished goods are stated at direct material and manufacturing cost. Write-downs are made to cover risks arising from slow-moving items or obsolescence. Leased products are stated at direct material and manufacturing cost plus an appropriate portion of material and production overheads, and depreciated using the reducing balance method and the highest rates permitted for tax purposes.

Receivables and other assets are stated at the lower of their nominal value or net realisable value.

Investments in marketable securities are measured at cost or, if lower, at their fair value at the balance sheet date.

Provisions for pensions and similar obligations are measured using the projected unit credit method in accordance with IAS 19 (Employee Benefits) applying an interest rate of 4.40%. The computation is based on the assumptions set out in the biometric tables of Prof. Dr. Klaus Heubeck (2005 G). In addition, future salary and pension increases and assumptions relating to fluctuation are also taken into account in the calculation. For reasons of consistency, the provision for long-service awards is measured using the same method. Other provisions are recognised to take account of all identified risks. In addition, provisions are recognised for deferred expenditure.

Liabilities are stated at their settlement amount at the balance sheet date.

Foreign currency assets and liabilities are translated at exchange rates prevailing on the date of the transaction. Foreign currency balance sheet items are generally hedged; any unhedged losses arising from changes in exchange rates are recognised by restating the foreign currency amount in the balance sheet to the closing rate.

The Company uses derivative financial instruments to hedge currency, interest rate and commodity price risks arising in conjunction with operating activities. Financing requirements resulting from operating activities are also hedged. Where there is a direct hedging relationship, the derivative financial instrument and the hedged item are accounted for as a valuation unit. If there is no hedging relationship, or if the hedging relationship is deemed to be insufficient, provisions are recognised to cover these unrealised losses.

Revenues from the sale of vehicles to car rental companies are not recognised when there is an obligation to repurchase the vehicles. In accordance with the draft financial reporting pronouncement "Specific Issues relating to the Transfer of Beneficial Ownership and Profit Realisation in accordance with HGB" (IDW ERS HFA 13) dated 1 July 2004 issued by the German Institute of Public Accountants (IDW), vehicles remain on the balance sheet, measured at amortised cost, because, on the basis of the criteria set out in the pronouncement, beneficial ownership has not been transferred to the car rental companies.

[1] Intangible assets

Intangible assets comprise mainly purchased software, franchises and licenses.

[2] Investments

Additions to investments in subsidiaries is due to a share capital increase at the level of BMW Holding B.V., The Hague.

The list of investments of BMW AG is shown on pages 24 and 25.

[3] Inventories

in euro million	31.12.2006	31.12.2005
Raw materials and supplies	486	494
Work in progress, unbilled contracts	156	153
Finished goods and goods for resale	2,021	1,932
Leased products	203	185
	2,866	2,764

[4] Receivables and other assets

in euro million	31.12.2006	31.12.2005
Trade receivables	1,075	1,054
Receivables from subsidiaries	4,478	2,751
Other receivables and other assets:		
Receivables from other companies in which an investment is held	195	69
Other assets	498	489
– thereof due later than one year: euro 136 million (2005: euro 54 million)		
	693	558
	6,246	4,363

Receivables from subsidiaries relate to trade and financing receivables.

Other assets comprise mainly tax reimbursements as well as receivables in connection with Land Rover activities.

[5] Marketable securities

in euro million	31.12.2006	31.12.2005
Other marketable securities	1,311	1,270
Deferred remuneration retirement scheme	272	218
	1,583	1,488

Other marketable securities include shares in security funds as well as in variable and fixed interest securities. The deferred remuneration retirement scheme

(Persönliches Vorsorgekapital) comprises employees' remuneration which has been converted into pension entitlements and invested in investment funds.

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Other marketable securities include euro 65 million assigned as collateral to Deutsche Treuinvest Stiftung, Frankfurt am Main, to secure obligations

relating to pre-retirement part-time work arrangements.

[6] Cash and cash equivalents

in euro million	31.12.2006	31.12.2005
Cash on hand and at bank	106	518
– of which held by subsidiaries: euro 11 million (2005: euro 108 million)		

[7] Subscribed capital and capital reserves

in euro million	31.12.2006	31.12.2005
Subscribed capital		
Balance brought forward	674	674
Withdrawal from circulation of bought-back shares	–20	–
	654	674
Par amount of bought-back shares intended for withdrawal from circulation		–13
Issued capital		661
Capital reserves		
Balance brought forward	1,971	1,971
Transfer to capital reserves pursuant to §237 (5) AktG	20	–
	1,991	1,971

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 from circulation without any further resolution by the Annual General Meeting. The authorisation for the buy-back was 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 at 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. Of the shares withdrawn from circulation, 13,488,480

shares had been bought back in 2005 at a total cost of euro 506 million and were held by BMW AG at 31 December 2005. The par amount of the shares (euro 13 million) was offset against subscribed capital at 31 December 2005 on the face of the balance sheet.

The withdrawal of shares reduced BMW AG's subscribed capital by euro 20 million. An amount corresponding to the par value of the shares withdrawn from circulation was transferred to capital reserves in accordance with §237 (5) AktG.

BMW AG's issued share capital of euro 654 million (2005: euro 674 million) comprises 601,995,196 shares of common stock (2005: 608,739,438 shares of common stock), each with a par value of euro 1, and 52,196,162 shares of non-voting preferred stock, each with a par value of euro 1. Preferred stock bears an additional dividend of euro 0.02 per share. All of the company's stock is issued to bearer.

At the Annual General Meeting on 16 May 2006, 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 from circulation without any further resolution by the Annual General Meeting. At the same time, the authorisation from 12 May 2005

to acquire treasury shares was rescinded. The authorisation from 16 May 2006 is valid until 15 November 2007.

[8] Revenue reserves

in euro million	31.12.2006	31.12.2005
Statutory reserves	1	1
Other revenue reserves		
Balance brought forward	2,051	2,544
Transfer from net profit	31	–
Offset against Treasury shares	–245	–493
Transfer to capital reserves pursuant to §237 (5) AktG	–20	–
	1,817	2,051
	1,818	2,052

The difference between purchase price and the par value of shares acquired in 2005 and in 2006 for withdrawal from circulation has been offset against

revenue reserves. The transfer to capital reserves in accordance with § 237 (5) AktG reduced revenue reserves.

[9] Registered profit-sharing certificates

Up to 1989, employees were entitled to subscribe to registered profit-sharing certificates in conjunction with a wealth accumulation scheme for employees.

This was replaced by the current scheme to subscribe to preferred stock.

[10] Provisions

in euro million	31.12.2006	31.12.2005
Pension provisions	4,347	4,174
Taxes	66	82
Other provisions	6,065	6,365
	10,478	10,621

Pension provisions comprise euro 2,869 million for vested pension entitlements for employees and euro 1,140 million for current pensions in payment. A further euro 338 million relates to the deferred remuneration retirement scheme, Persönliches Vorsorgekapital. All pension obligations of BMW AG are fully covered by provisions.

Other provisions mainly comprise of obligations for warranties, personnel-related expenses, dealer bonuses and other sales-related obligations, risks

relating to the Land Rover disengagement, collection and recycling of end-of-life vehicles and manufacturer's liability.

Provisions are also made relating to risks from legal disputes, guarantees and service contract obligations. In addition, the Company recognises provisions for maintenance expenses deferred to within the first three month of the new financial year and a provision for major overhauls.

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[11] Liabilities

31 December in euro million	2006	2006 thereof due within one year	2006 thereof due later than five years	2005
Liabilities to banks	607	213	6	500
Trade payables	2,046	2,043	–	1,858
Liabilities to subsidiaries	1,618	1,618	–	941
Other liabilities				
Advance payments received on orders	9	9	–	7
Liabilities to BMW Unterstützungsverein e.V.	5	–	5	5
Sundry other liabilities	1,299	1,296	–	698
– thereof euro 421 million secured by the assignment of finished goods as collateral				
– thereof for social security	(23)	(23)	–	(102)
	1,313	1,305	5	710
	5,584	5,179	11	4,009

Contingent liabilities

in euro million	31.12.2006	31.12.2005
Contingent liability under bills of exchange	1	15
Guarantees for bonds issued by		
– BMW Finance N.V., The Hague	5,045	3,391
– BMW US Capital, LLC, Wilmington, Del.	4,217	3,552
– BMW Coordination Center V.o.F., Bornem	1,339	1,314
– BMW Australia Finance Ltd., Melbourne, Victoria	575	–
– BMW (UK) Capital plc, Bracknell	405	591
Guarantees for bonds and notes issued by		
– BMW US Capital, LLC, Wilmington, Del.	3,379	3,554
– BMW Finance N.V., The Hague	1,465	1,288
– BMW Japan Finance Corp., Tokyo	1,408	822
– BMW Australia Finance Ltd., Melbourne, Victoria	856	1,308
– BMW Coordination Center V.o.F., Bornem	475	1,753
– BMW (UK) Capital plc, Bracknell	163	4
Guarantees on behalf of		
– BMW (UK) Capital plc, Bracknell	178	320
– BMW US Capital, LLC, Wilmington, Del.	44	158
– BMW Finance N.V., The Hague	10	15
Other	802	789
Guarantees	20,361	18,859
– thereof on behalf of affiliated companies	(497)	(647)
Guarantee letter on behalf of		
– BMW Bank GmbH, Munich	5,102	5,420

Joint and several liability applies in the case of investments in general partnerships.

The usual commercial guarantees have been given in relation to the sale of Rover Cars and Land Rover activities.

Other financial obligations

The present value of commitments under rental and

lease agreements amounts to euro 1,818 million, analysed by due date as follows:

in euro million	31.12.2006
2007	667
2008 – 2011	587
later than 2011	564

Of these amounts, euro 1,006 million relates to subsidiaries.

Purchase commitments for capital expenditure amount to euro 790 million.

Derivative financial instruments

The Company is exposed to interest rate, exchange rate and commodity price risks from underlying and forecast transactions. The related risks are hedged

by derivative financial instruments. At 31 December 2006, the following derivative financial instruments were in place:

in euro million	Nominal volume	Net fair values
Currency-related instruments		
Forward currency contracts	1,461	-12
Cross currency swaps	777	-57
FX options	123	-
	2,361	-69
Interest rate-related instruments		
Interest rate swap	265	-1
Purchasing-related instruments		
Commodities	267	41

Provisions of euro 12 million were recognised to cover negative fair values. The nominal amounts of derivative financial instruments correspond to the purchase or sale amounts or to the contracted amounts of hedged items. The fair values shown are measured on the basis of market information avail-

able at the balance sheet date or using appropriate measurement techniques e.g. the discounted cash flow method. The fair values of derivative financial instruments derived for the relevant nominal values do not take account of any offsetting change in the fair value of the hedged items.

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Other disclosures

Notifications pursuant to §25 (1) of the German Securities Trade Act on 9 April 2002:

- “Johanna Quandt, Bad Homburg v.d.H., has given notice to the Board of Management pursuant to §41 (2) sentence 1 of the German Securities Trade Act (in conjunction with §§21 (1), 22 (1) sentence 1 no. 1 of that Act) that she holds 16.7% of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002*. She has also given notice that 15.4% of these voting rights are attributable to her pursuant to §22 (1) sentence 1 no. 1 of the German Securities Trade Act.”
- “Johanna Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v.d.H., has given notice to the Board of Management pursuant to §41 (2) sentence 1 of the German Securities Trade Act (in conjunction with §21 (1) of that Act) that it holds 15.4% of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002*.”
- “Susanne Klatten, Bad Homburg v.d.H., has given notice to the Board of Management pursuant to §41 (2) sentence 1 of the German Securities Trade Act (in conjunction with §§21 (1), 22 (1) sentence 1 no. 1 of that Act) that she holds 12.5% of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002. She has also given notice that 11.5% of these voting rights are attributable to her pursuant to §22 (1) sentence 1 no. 1 of the German Securities Trade Act.”
- “Susanne Klatten GmbH & Co. KG für Automobilwerte, Bad Homburg v.d.H., has given notice to the Board of Management pursuant to §41 (2) sentence 1 of the German Securities Trade Act (in conjunction with §21 (1) of that Act) that it holds 11.5% of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002.”

- “Stefan Quandt, Bad Homburg v.d.H., has given notice to the Board of Management pursuant to §41 (2) sentence 1 of the German Securities Trade Act (in conjunction with §§21 (1), 22 (1) sentence 1 no. 1 of that Act) that he holds 17.4% of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002*. He has also given notice that 16.1% of these voting rights are attributable to him pursuant to §22 (1) sentence 1 no. 1 of the German Securities Trade Act.”
- “Stefan Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v.d.H., has given notice to the Board of Management pursuant to §41 (2) sentence 1 of the German Securities Trade Act (in conjunction with §21 (1) of that Act) that it holds 16.1% of the voting rights in Bayerische Motoren Werke Aktiengesellschaft, Munich on 1 April 2002*.”

Notifications pursuant to §26 (1) of the German Securities Trade Act on 14 February 2007:

- “Allianz SE, which has its registered office in Munich in Federal Republic of Germany, has given notice to BMW AG's Board of Management in a letter dated 13 February 2007 pursuant to §21 (1) of the German Securities Trade Act that its voting rights in the Company stood at 1.18% at 9 February 2007, and hence below the mandatory reportable threshold of 3%. These voting rights are attributable to Allianz SE pursuant to §22 (1) sentence 1 no. 1 of the German Securities Trade Act.”

The voting power percentages disclosed above may have changed subsequent to the dates stated above, if these changes were not required to be reported to the Company. Due to the fact that the Company's shares are issued to bearer, the Company is generally only aware of changes in shareholdings if such changes are subject to mandatory notification rules.

* confirmed by balance notifications as at 20 January 2007.

[12] **Revenues**

in euro million	2006	2005
Automobiles	36,093	35,876
Motorcycles	887	848
Other revenues	5,437	5,077
	42,417	41,801
Germany	10,896	11,294
United Kingdom	4,251	4,372
Rest of Europe	10,532	9,978
North America	10,527	10,096
Asia	4,266	4,068
Other regions	1,945	1,993
	42,417	41,801

[13] **Other operating income**

Other operating income in 2006 amounted to euro 1,014 million (2005: euro 1,223 million) and comprises mainly income from the reversal of provi-

sions, amounts charged to group companies and exchange gains.

[14] **Other operating expenses**

Other operating expenses, amounting to euro 360 million in the year under report (2005: euro

330 million) comprises mainly expenses for allocations to provisions and exchange losses.

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[15] Result from investments

in euro million	2006	2005
Income from investments	11	389
– thereof from subsidiaries: euro 11 million (2005: euro 383 million)		
Income from profit and loss transfer agreements	293	258
	304	647

[16] Net interest result

in euro million	2006	2005
Other interest and similar income	189	113
– thereof from subsidiaries: euro 91 million (2005: euro 32 million)		
Interest and similar expenses	197	136
– thereof to subsidiaries: euro 101 million (2005: euro 67 million)		
	-8	-23

[17] Income taxes

The recoverability of corporation tax credits was previously linked to profit distributions. In accordance with provisions of §37 (5) of the German Corporation Tax Act (new version), corporation tax credits will now be reimbursed in equal annual amounts over a

ten year period between 2008 and 2017. The present value of the tax reimbursement receivable amounted to euro 123 million and has have been recognised in full as an asset.

Cost of materials

in euro million	2006	2005
Purchased raw materials and supplies	30,913	30,178
Purchased services	954	832
	31,867	31,010

Personnel costs

in euro million	2006	2005
Wages and salaries	4,516	4,501
Social security, pension and welfare costs	987	1,627
– thereof pension costs: euro 262 million (2005: euro 912 million)		
	5,503	6,128

Average workforce during the year	2006	2005
Head office and Munich plant	27,324	27,557
Dingolfing plant	19,809	20,153
Regensburg plant	9,902	10,161
Landshut plant	3,246	3,318
Leipzig plant	2,253	1,989
Berlin plant	2,663	2,733
Branches	5,445	5,460
	70,642	71,371
Apprentices and students gaining work experience	5,732	5,765
	76,374	77,136

Fee expense

in euro million	2006	2005
Year-end audits	1	1
Tax advisory services	2	2
	3	3

The item “Year-end audits” includes fees for the audit of the annual financial statements of BMW AG and of the Group financial statements.

The item “Tax advisory services” relates principally to fees for services provided to employees seconded abroad.

BMW AG

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Declaration with respect to the Corporate Governance Code

The Declaration on the Corporate Governance Code pursuant to § 161 AktG is disclosed in the BMW Group Annual Report 2006 and, in addition, is also available to shareholders on the BMW Group website under the address www.bmwgroup.com/ir.

Total compensation of the Board of Management and the Supervisory Board

Subject to the approval of the proposed dividend at the Annual General Meeting of Shareholders, the remuneration of current members of the Board of Management for the financial year 2006 amounts to euro 14.5 million (2005: euro 12.2 million). This comprises fixed components of euro 2.3 million (2005: euro 2.0 million) and variable components of euro 12.2 million (2005: euro 10.2 million).

The remuneration of former Board members and their surviving dependants amounts to euro 3.8 million (2005: euro 2.6 million).

Pension obligations to former members of the Board of Management and their surviving dependants are fully covered by pension provisions amounting to euro 38.8 million (2005: euro 37.0 million).

Subject to the approval of the proposed dividend at the Annual General Meeting of Shareholders, the remuneration of the Supervisory Board for the

financial year 2006 amounts to euro 2.7 million (2005: euro 2.5 million). This comprises fixed components of euro 0.1 million (2005: euro 0.1 million) and variable components of euro 2.6 million (2005: euro 2.4 million).

Further details about the remuneration of current members of the Board of Management and of the Supervisory Board can be found in the Compensation Report on pages 121 to 124. The Compensation Report is a sub-section of the management report.

Munich, February 2007

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system and its report on the position of the Company and the Group prepared by the Bayerische Motoren Werke Aktiengesellschaft, Munich, for the business year from 1 January to 31 December 2006. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law (and supplementary provisions of the shareholder agreement/articles of incorporation) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures.

The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements (and supplementary provisions of the shareholder agreement/articles of incorporation) and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, 2 March 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Schindler
Wirtschaftsprüfer

Höfer
Wirtschaftsprüfer

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Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg

Chairman
Former Chairman of the Board of Management of BMW AG

Chairman of the Presiding Board,
Personnel Committee, Audit Committee
Member of the Mediation Committee

Mandates**

- Bertelsmann AG
- FESTO AG
- MAN AG (Deputy Chairman)
- Deere & Company

Manfred Schoch*

Deputy Chairman
Chairman of the General Works Council

Member of the Presiding Board,
Personnel Committee, Audit Committee
and Mediation Committee

Stefan Quandt

Deputy Chairman
Industrial Engineer

Member of the Presiding Board,
Personnel Committee, Audit Committee
and Mediation Committee

Mandates**

- DELTON AG (Chairman)
- Dresdner Bank AG
- DataCard Corp.

Konrad Gottinger*

Deputy Chairman
Member of the Works Council, Dingolfing

Member of the Presiding Board,
Personnel Committee, Audit Committee
and Mediation Committee

Dr. Hans-Dietrich Winkhaus

Deputy Chairman
Former Chairman of the Board of Henkel KGaA

Member of the Presiding Board,
Personnel Committee and Audit Committee

Mandates**

- Deutsche Lufthansa AG
- ERGO Versicherungsgruppe AG
- Henkel KGaA

Volker Doppelfeld

(until 16.05.2006)
Former member of the Board of Management of BMW AG

Mandates**

- Bizerba GmbH & Co. KG
- UniCredit S.p.A.

* Employee representative

** Mandates at 31 December 2006 or on final day of office

● Membership of other statutory supervisory boards
◦ Membership of equivalent national or foreign boards

Ulrich Eckelmann*

Head of Division Industry, Technology and Environment with the Executive Board of IG Metall

Bertin Eichler*

Executive Member of the Executive Board of IG Metall

Mandates**

- ThyssenKrupp AG (Deputy Chairman)
- BGAG Beteiligungsgesellschaft der Gewerkschaften GmbH (Chairman)

Werner Eisgruber*

(until 31. 12. 2006)
Member of the Works Council, Dingolfing

Franz Haniel

Engineer, MBA

Mandates**

- DELTON AG (Deputy Chairman)
- Franz Haniel & Cie. GmbH (Chairman)
- Heraeus Holding GmbH
- secunet Security Networks AG
- Giesecke & Devrient GmbH

Arthur L. Kelly

Managing Partner of KEL Enterprises L.P.

Mandates**

- BASF AG
- DataCard Corp.
- Deere & Company
- Northern Trust Corp.
- Robert Bosch Corp.
- Snap-on Inc.

Susanne Klatten

BSc., MBA
Honorary Senator of the Technical University of Munich

Mandates**

- ALTANA AG (Deputy Chairman)
- ALTANA Pharma AG
- UnternehmerTUM GmbH
- Technical University of Munich

Willibald Löw*

Chairman of the Works Council, Landshut

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Prof. Dr. rer. nat. Drs. h. c. mult. Hubert Markl

Former President of Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.
Professor of Biology (retired)

Mandates**

- Münchener Rückversicherungs-Gesellschaft AG
- Georg von Holtzbrinck GmbH
- Sanofi-Aventis S.A.

Wolfgang Mayrhuber

Chairman of the Board of Management of Deutsche Lufthansa AG

Mandates**

- Eurowings Luftverkehrs AG
- Fraport AG
- LSG Lufthansa Service Holding AG
- Lufthansa Cargo AG
- Lufthansa Technik AG
- Münchener Rückversicherungs-Gesellschaft AG
- Thomas Cook AG (Deputy Chairman)
- HEICO Corp.
- SWISS International Air Lines AG

Heinz-Joachim Neubürger

(from 16.05.2006)
Export Merchant, MBA

Mandates**

- Allianz Versicherungs-AG
- KKR Guernsey GP Limited
- Gruppo Banca Leonardo S.p.A.

Werner Neugebauer*

Regional Executive Officer of IG Metall Bavaria

Franz Oberländer*

Member of the Works Council, Munich

Anton Ruf*

Director Product Line L7

Stefan Schmid*

(from 03.01.2007)
Chairman of the Works Council, Dingolfing

Prof. Dr. Jürgen Strube

Chairman of the Supervisory Board of BASF AG

Mandates**

- Allianz Deutschland AG
- BASF AG (Chairman)
- Bertelsmann AG (Deputy Chairman)
- Commerzbank AG
- Fuchs Petrolub AG (Chairman)
- Hapag-Lloyd AG
- Linde AG

Werner Zierer*

Chairman of the Works Council, Regensburg

* Employee representative

** Mandates at 31 December 2006 or on final day of office

● Membership of other statutory supervisory boards
○ Membership of equivalent national or foreign boards

Dr.-Ing. Norbert Reithofer

Chairman (from 01.09.2006)

Dr. Helmut Panke

(until 31.08.2006)

Chairman

Mandates**

- Microsoft Corp.
- UBS AG

Frank-Peter Arndt

(from 01.09.2006)

Production

Mandates**

- BMW Motoren GmbH (Chairman)
- BMW (South Africa) (Pty) Ltd. (Chairman)
- Leipziger Messe GmbH

Ernst Baumann

Human Resources, Industrial Relations Director

Mandates**

- Kronos AG

Dr.-Ing. Klaus Draeger

(from 01.11.2006)

Development and Purchasing

Dr. Michael Ganal

Sales and Marketing

Mandates**

- BMW Brilliance Automotive Ltd. (Deputy Chairman)

Prof. Dr.-Ing. Dr.-Ing. E. h. Senator E. h.**Burkhard Göschel**

(until 31.10.2006)

Development and Purchasing

Stefan Krause

Finance

Mandates**

- Allianz Deutschland AG

General Counsel:

Dr. Dieter Löchelt

** Mandates at 31 December 2006 or on final day of office

- Membership of other statutory supervisory boards
- Membership of equivalent national or foreign boards

BMW AG

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Principal subsidiaries of BMW AG at 31 December 2006	Equity in euro million	Net result in euro million	Capital investment in %
Domestic¹⁾			
BMW Bank GmbH, Munich ²⁾	268	–	100
BMW Finanz Verwaltungs GmbH, Munich	176	– 40	100
BMW INTEC Beteiligungs GmbH, Munich ²⁾	113	–	100
softlab GmbH für Systementwicklung und EDV-Anwendung, Munich	57	2	100
BMW Ingenieur-Zentrum GmbH + Co., Dingolfing	47	10	100
BMW Maschinenfabrik Spandau GmbH, Berlin	40	⁴⁾	100
BMW Leasing GmbH, Munich ²⁾	16	–	100
BMW Hams Hall Motoren GmbH, Munich ³⁾	15	–	100
BMW Fahrzeugtechnik GmbH, Eisenach ²⁾	11	–	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich ²⁾	⁴⁾	–	100

1) In the case of German subsidiaries, based on financial statements drawn up in accordance with HGB.

2) profit and loss transfer agreement with BMW AG

3) profit and loss transfer agreement with a subsidiary of BMW AG

4) below euro 0.5 million

5) In the case of foreign subsidiaries, based on financial statements drawn up in accordance with uniform IFRSs accounting policies.
Equity and net result are translated at the closing rate.

Principal subsidiaries of BMW AG at 31 December 2006	Equity in euro million	Net result in euro million	Capital investment in %
Foreign ⁵¹			
BMW Österreich Holding GmbH, Steyr	1,260	95	100
BMW Motoren GmbH, Steyr	897	209	100
BMW Russland Trading OOO, Moscow	110	40	100
BMW China Automotive Trading Ltd., Beijing	64	40	100
BMW Austria Gesellschaft m.b.H., Salzburg	54	8	100
BMW Holding B.V., The Hague	5,789	703	100
BMW Australia Finance Ltd., Melbourne, Victoria	453	37	100
BMW Finance N.V., The Hague	406	-19	100
BMW Overseas Enterprises N.V., Willemstad	61	1	100
BMW (South Africa) (Pty) Ltd., Pretoria	391	131	100
BMW (Schweiz) AG, Dielsdorf	322	23	100
BMW Japan Corp., Tokyo	274	20	100
BMW Japan Finance Corp., Tokyo	244	19	100
BMW Italia S.p.A., Milan	255	101	100
BMW Canada Inc., Whitby	197	46	100
BMW France S.A., Montigny le Bretonneux	169	40	100
BMW Belgium Luxembourg S.A./N.V., Bornem	149	76	100
BMW Australia Ltd., Melbourne, Victoria	78	27	100
BMW Portugal Lda., Lisbon	44	30	100
BMW Korea Co., Ltd., Seoul	44	20	100
BMW Hellas Trade of Cars SA, Athens	44	15	100
BMW Sverige AB, Stockholm	43	10	100
BMW Nederland B.V., The Hague	31	18	100
BMW Automotive (Ireland) Ltd., Dublin	25	8	100
BMW New Zealand Ltd., Auckland	10	-1	100
BMW (UK) Holdings Ltd., Bracknell	1,594	46	100
BMW (UK) Manufacturing Ltd., Bracknell	899	227	100
BMW (UK) Ltd., Bracknell	729	272	100
BMW Financial Services (GB) Ltd., Hook	344	29	100
BMW (UK) Capital plc, Bracknell	174	26	100
BMW Malta Ltd., Valletta	776	68	100
BMW Malta Finance Ltd., Valletta	658	49	100
BMW Coordination Center V.o.F., Bornem	590	-1	100
BMW España Finance S.L., Madrid	295	49	100
BMW Ibérica S.A., Madrid	227	84	100
BMW de Mexico, S.A. de C.V., Mexico City	19	7	100
BMW (US) Holding Corporation, Wilmington, Del.	1,259	429	100
BMW Financial Services NA, LLC, Wilmington, Del.	564	127	100
BMW Manufacturing, LLC, Wilmington, Del.	497	20	100
BMW of North America, LLC, Wilmington, Del.	424	55	100
BMW US Capital, LLC, Wilmington, Del.	282	-1	100

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		2006	2005
Revenues	euro million	42,417	41,801
Change	%	1.5	3.0
Export ratio	%	74.3	73.0
Production			
Automobiles	units	1,366,838	1,323,119
Motorcycles ^{1]}	units	103,759	92,012
Sales volume			
Automobiles	units	1,358,119	1,334,426
Motorcycles ^{1]}	units	102,786	95,343
Capital expenditure	euro million	1,324	1,472
Depreciation and amortisation	euro million	1,765	1,770
Workforce at year-end		76,156	76,536
thereof wage-earners		40,558	41,272
thereof salary-earners		29,699	29,371
Tangible, intangible and investment assets	euro million	10,171	10,577
Current assets and prepayments	euro million	10,874	9,225
Subscribed capital	euro million	654	661
Reserves	euro million	3,809	4,023
Equity	euro million	4,921	5,108
as % of tangible, intangible and investment assets	%	48.4	48.3
Long-term liabilities ^{2]}	euro million	4,786	4,723
Long-term equity and liabilities ^{3]}	euro million	9,707	9,831
as % of tangible, intangible and investment assets	%	95.4	92.9
Balance sheet total	euro million	21,045	19,802
Cost of materials	euro million	31,867	31,010
Personnel costs	euro million	5,503	6,128
Taxes	euro million	75	-37
Net profit	euro million	485	424
Dividend	euro million	458 ^{4]}	424 ^{5]}
per share of common stock ^{6]}	euro	0.70 ^{4]}	0.64
per share of preferred stock ^{6]}	euro	0.72 ^{4]}	0.66

1] up to 1999 including BMW F650 assembly at Aprilia S.p.A.; from 2000 including C1; from 2006 including BMW G 650 X assembly by Piaggio S.p.A.

2] Registered profit-sharing certificates, special untaxed reserve (only to 2002), pension provisions, liability to BMW Unterstützungsvereins e.V., liabilities falling due later than one year

3] Equity, long-term liabilities

4] Proposed by the Board of Management

5] before buy-back of treasury shares

6] until 1998 nominal value of DM 50 per share; from 1999 nominal value of euro 1 per share

2004	2003	2002	2001	2000	1999	1998	1997
40,597	36,881	35,315	29,993	25,276	21,770	19,828	18,340
10.1	4.4	17.7	18.7	16.1	9.8	8.1	10.6
72.5	72.8	72.3	68.8	66.1	62.6	61.1	60.8
1,250,345	1,118,940	1,090,258	946,730	834,519	755,547	706,426	672,238
93,836	89,745	97,553	100,213	93,608	69,316	60,152	54,933
1,241,659	1,117,267	1,082,735	939,521	831,975	753,084	702,788	665,630
91,797	93,625	102,418	98,146	88,194	68,094	58,652	55,983
2,321	2,293	2,140	1,610	1,215	1,104	1,004	1,046
1,535	1,322	1,222	1,093	893	869	881	821
77,252	75,969	73,283	69,939	66,262	63,785	62,747	60,593
41,741	41,933	41,239	40,385	38,546	37,774	38,241	37,244
29,532	28,404	26,894	24,997	23,513	21,970	20,697	19,829
10,893	11,386	10,469	9,106	8,333	4,372	5,308	5,198
8,910	8,096	6,385	6,359	7,124	6,424	5,758	4,507
674	674	674	673	672	671	658	506
4,516	4,188	4,171	3,890	3,867	3,846	3,840	2,844
5,609	5,254	5,196	4,913	4,849	4,786	4,732	3,553
51.5	46.1	49.6	54.0	58.2	109.5	89.2	68.4
3,849	2,834	2,316	1,985	1,650	1,518	1,384	1,239
9,458	8,088	7,512	6,898	6,499	6,304	6,116	4,792
86.8	71.0	71.8	75.8	78.0	144.2	115.2	92.2
19,803	19,482	16,854	15,465	15,457	10,796	11,066	9,705
29,501	26,190	24,857	21,341	17,355	14,418	13,174	11,734
5,888	5,398	4,762	4,596	4,002	3,722	3,516	3,198
327	118	48	15	-60	12	257	318
747	392	615	350	310	269	291	322
419	392	351	350	310	269	234	203
0.62	0.58	0.52	0.52	0.46	0.40	10.23	10.23
0.64	0.60	0.54	0.54	0.48	0.42	10.74	10.74

Financial Calendar

Interim Report to 31 March 2007
Annual General Meeting
Interim Report to 30 June 2007
Interim Report to 30 September 2007

3 May 2007
15 May 2007
1 August 2007
6 November 2007

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