

Financial Statements of BMW AG

Financial Year 2005

BMW Group

Rolls-Royce
Motor Cars Limited



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BMW AG in figures

		2005	2004	Change in %
Revenues	euro million	41,801	40,597	3.0
Export ratio	%	73.0	72.5	
Production				
Automobiles	units	1,323,119	1,250,345	5.8
Motorcycles	units	92,012	93,836	-1.9
Sales volume				
Automobiles	units	1,334,426	1,241,659	7.5
Motorcycles	units	95,343	91,797	3.9
Capital expenditure	euro million	1,472	2,321	-36.6
Depreciation and amortisation	euro million	1,770	1,535	15.3
Workforce at year-end		76,536	77,252	-0.9
of which wage-earners		41,272	41,741	-1.1
of which salary-earners		29,371	29,532	-0.5
Tangible, intangible and investment assets	euro million	10,577	10,893	-2.9
Current assets and prepayments	euro million	9,225	8,910	3.5
Subscribed capital	euro million	661 ¹⁾	674	-2.0
Reserves	euro million	4,023	4,516	-10.9
Equity	euro million	5,108	5,609	-8.9
as % of tangible, intangible and investment assets	%	48.3	51.5	
Long-term liabilities ²⁾	euro million	4,723	3,849	22.7
Long-term equity and liabilities ³⁾	euro million	9,831	9,458	3.9
as % of tangible, intangible and investment assets	%	92.9	86.8	
Balance sheet total	euro million	19,802	19,803	-
Cost of materials	euro million	31,010	29,501	5.1
Personnel costs	euro million	6,128	5,888	4.1
Taxes	euro million	-37	327	
Net profit	euro million	424	747	-43.2
Dividend	euro million	424 ⁴⁾	419	1.2
per share of common stock with a par value of euro 1 each	euro	0.64 ⁴⁾	0.62	
per share of preferred stock with a par value of euro 1 each	euro	0.66 ⁴⁾	0.64	

1) net of repurchased shares

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

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Financial Statements

The BMW AG Financial Statements and Management Report for the financial year 2005 are published in the German Federal Gazette and filed with the Trade Register of the Munich District Court. The Management Report of BMW AG is combined with the Group Management Report and published in the BMW Group Annual Report 2005.

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Balance Sheet at 31 December

in euro million	Notes	2005	2004
Assets			
Intangible assets	[1]	86	67
Property, plant and equipment		5,717	6,052
Investments	[2]	4,774	4,774
Tangible, intangible and investment assets		10,577	10,893
Inventories	[3]	2,764	2,925
Trade receivables	[4]	1,054	896
Receivables from subsidiaries	[4]	2,751	1,019
Other receivables and other assets	[4]	558	1,616
Marketable securities	[5]	1,488	1,395
Cash and cash equivalents	[6]	518	982
Current assets		9,133	8,833
Prepayments		92	77
		19,802	19,803
Equity and liabilities			
Subscribed capital		674	
Par value of Treasury shares		-13	
Issued share capital	[7]	661	674
Capital reserves		1,971	1,971
Revenue reserves	[8]	2,052	2,545
Unappropriated profit available for distribution		424	419
Equity		5,108	5,609
Registered profit-sharing certificates	[9]	35	35
Pension provisions		4,174	3,289
Other provisions		6,447	7,002
Provisions	[10]	10,621	10,291
Liabilities to banks		500	500
Trade payables		1,858	1,355
Liabilities to subsidiaries		941	1,403
Other liabilities		710	571
Liabilities	[11]	4,009	3,829
Deferred income		29	39
		19,802	19,803

BMW AG
Income Statement

in euro million	Notes	2005	2004
Revenues	[12]	41,801	40,597
Cost of sales		- 36,379	- 34,842
Gross profit		5,422	5,755
Sales costs		- 2,731	- 2,685
Administrative costs		- 904	- 876
Research and development costs		- 2,917	- 2,666
Other operating income and expenses	[13] [14]	893	993
Result from investments	[15]	647	636
Net interest expense	[16]	- 23	- 83
Profit from ordinary activities		387	1,074
Income taxes	[17]	50	- 326
Other taxes		- 13	- 1
Net profit		424	747
Transfer to revenue reserves		-	- 328
Unappropriated profit available for distribution		424	419

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Analysis of changes in tangible, intangible and investment assets in 2005

in euro million	Acquisition and manufacturing cost				31.12.2005
	1.1.2005	Additions	Reclassifications	Disposals	
Intangible assets	221	72	–	31	262
Land, titles to land, buildings, including buildings on third party land	2,604	103	93	18	2,782
Plant and machinery	14,063	900	278	450	14,791
Other facilities, factory and office equipment	1,141	155	15	133	1,178
Advance payments made and construction in progress	418	242	–386	1	273
Property, plant and equipment	18,226	1,400	–	602	19,024
Investment in subsidiaries	4,762	–	–	–	4,762
Investment in other companies	16	–	–	–	16
Other non-current loans receivable	1	–	–	–	1
Investments	4,779	–	–	–	4,779
Tangible, intangible and investment assets	23,226	1,472	–	633	24,065

1.1.2005	Depreciation and amortisation		31.12.2005	Net book values	
	Current year	Disposals		31.12.2005	31.12.2004
154	53	31	176	86	67
1,142	67	8	1,201	1,581	1,462
10,114	1,522	448	11,188	3,603	3,949
918	128	128	918	260	223
–	–	–	–	273	418
12,174	1,717	584	13,307	5,717	6,052
–	–	–	–	4,762	4,762
4	–	–	4	12	12
1	–	–	1	–	–
5	–	–	5	4,774	4,774
12,333	1,770	615	13,488	10,577	10,893

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Accounting Policies and Principles

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 stated 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 and 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 fair value. When the reasons for an impairment no longer exist, impairment losses previously recorded are reversed in accordance with German accounting law, up to a maximum amount equal to their 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 together with an appropriate portion of material and production overheads, and depreciated using the reducing balance method applying the highest rates permitted for tax purposes.

Receivables and other assets are stated at their nominal value or, if lower, at their net realisable value.

Investments in marketable securities are stated at the lower of cost and net realisable 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 4.25 %. The computation is based on assumptions set out in the new biometric tables of Prof. Dr. Klaus Heubeck (2005 G). Assumptions have been made relating to the effect of future increases in pensions, salaries and other factors which may change the amount of necessary provisions. Provisions for long-service awards are made using a similar methodology. 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. Liabilities for outstanding supplier invoices are classified for the first time in trade payables. In the previous year, these liabilities were classified in other provisions.

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 is exposed to risks relating to changes in interest rates, exchange rates and raw material prices on underlying and forecasted transactions. These risks are hedged by derivative financial instruments. Provisions are recognised where there is no hedge or where a hedge does not fully cover the risk. Provisions are also recognised for negative fair values of derivative financial instruments unless the hedged item and hedge contract can be treated as a valuation unit.

Revenues from the sale of vehicles to car rental companies are not recognised when there is an obligation to repurchase the vehicles. Based on the draft financial reporting pronouncement "Specific Issues relating to Transfer of Economic 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, economic ownership has not been transferred to the car rental companies.

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Notes to the Financial Statements
Notes to the Balance Sheet

[1] Intangible assets Intangible assets comprise mainly purchased software, franchises and licences.

[2] Investments Investments have not changed significantly compared to the end of the previous year.

The investments of BMW AG are set out on pages 24 and 25.

[3] Inventories	in euro million	31.12.2005	31.12.2004
	Raw materials and supplies	494	451
	Work in progress, unbilled contracts	153	187
	Finished goods and goods for resale	1,932	2,114
	Leased products	185	173
		2,764	2,925

[4] Receivables and other assets	in euro million	31.12.2005	31.12.2004
	Trade receivables	1,054	896
	Receivables from subsidiaries	2,751	1,019
	Other receivables and other assets:		
	Receivables from other companies in which an investment is held	69	251
	Other assets	489	1,365
	– thereof due later than one year: euro 54 million (2004: euro 76 million)	558	1,616
		4,363	3,531

Receivables from subsidiaries relate to trade and financing receivables.

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

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[5] Marketable securities

in euro million	31.12.2005	31.12.2004
Other marketable securities	1,270	1,231
Deferred remuneration retirement scheme	218	164
	1,488	1,395

Other marketable securities include shares in securities funds and variable and fixed interest securities. The deferred remuneration retirement scheme com-

prises amounts invested in investment funds on behalf of employees relating to the Persönliche Vorsorgekapital pension scheme.

[6] Cash and cash equivalents

in euro million	31.12.2005	31.12.2004
Cash on hand and at bank	518	982
– of which held by subsidiaries: euro 108 million (2004: euro 14 million)		

Cash and cash equivalents include euro 42 million assigned as collateral to Deutsche Treuinvest Stiftung,

Frankfurt am Main, to secure obligations relating to pre-retirement part-time work arrangements.

[7] Issued capital

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 issue at the date of the resolution and to withdraw those shares for circulation without any further resolution by the Annual General Meeting. The authorisation to buy-back stock remains valid until 11 November 2006.

In conjunction with this authorisation, the Board of Management of BMW AG resolved on 20 September 2005 to implement a programme to repurchase shares via the stock exchange. Under this programme, up to 3% of common stock will be acquired. The extent to which for further shares will be purchased beyond this level, but within the currently valid authorisation, has not yet been decided. The shares have been repurchased for subsequent

withdrawal from circulation and a reduction of share capital.

Up to 31 December 2005, a total of 13,488,480 treasury shares of common stock had been repurchased via the stock exchange at an average price per share of euro 37.49 and a total acquisition cost of euro 506 million. The number of shares purchased corresponds to 2% of share capital. The shares are held by BMW AG at the balance sheet date.

BMW AG's issued share capital (in circulation) of euro 661 million (2004: share capital of euro 674 million) comprises 608,739,438 shares of common stock (2004: 622,227,918 shares of common stock) with a par value of euro 1 and 52,196,162 shares of non-voting preferred stock with a par value of euro 1. The preferred stock bears an advance profit (additional dividend) of euro 0.02 per share. All of the Company's stock is issued in the form of bearer shares.

[8] Revenue reserves

in euro million	31.12.2005	31.12.2004
Statutory reserves	1	1
Other revenue reserves		
Balance brought forward	2,544	2,216
Transfer from net profit	–	328
Offset against Treasury shares	– 493	–
	2,051	2,544
	2,052	2,545

The difference between purchase price and the par value of shares acquired for withdrawal from circula-

tion (euro 493 million) has been offset against other revenue reserves.

[9] Registered profit-sharing certificates

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

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

[10] Provisions

in euro million	31.12.2005	31.12.2004
Pension provisions	4,174	3,289
Taxes	82	118
Other provisions	6,365	6,884
	10,621	10,291

Pension provisions comprise euro 2,872 million for vested pension entitlements for employees and euro 1,052 million for current pensions in payment. A further euro 250 million relates to the deferred remuneration retirement scheme, Persönliches Vorsorgekapital. All pension obligations of BMW AG are fully covered by provisions.

Other provisions comprise mainly 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 maintenance obligations. In addition, provisions are also recognised relating to maintenance expenses deferred to within the first three months of the new financial year together with a provision for major overhauls.

During the year under report, other provisions relating to the Rover disengagement as well as provisions for the collection and recycling of end-of-life vehicles were partially released.

[11] Liabilities

31 December in euro million	2005	2005 thereof due within one year	2005 thereof due later than five years	2004
Liabilities to banks	500	3	9	500
Trade payables	1,858	1,853	–	1,355
Liabilities to subsidiaries	941	941	–	1,403
Other liabilities				
Advance payments received on orders	7	7	–	18
Liabilities to BMW Unterstützungsverein e.V.	5	–	5	5
Sundry other liabilities	698	691	–	548
– thereof euro 395 million secured by the assignment of finished goods as collateral				
– thereof for social security	(102)	(102)	–	(101)
	710	698	5	571
	4,009	3,495	14	3,829

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Contingent liabilities at 31 December

in euro million	2005	2004
Contingent liability under bills of exchange	15	4
Guarantees for bonds issued by		
– BMW US Capital, LLC, Wilmington, Del.	3,552	3,027
– BMW Finance N.V., The Hague	3,391	3,285
– BMW Coordination Center V.o.F., Bornem	1,314	1,363
– BMW (UK) Capital plc, Bracknell	591	664
– BMW Australia Finance Ltd., Melbourne, Victoria	–	135
Guarantees for bonds and notes issued by		
– BMW US Capital, LLC, Wilmington, Del.	3,554	3,180
– BMW Coordination Center V.o.F., Bornem	1,753	1,126
– BMW Australia Finance Ltd., Melbourne, Victoria	1,308	745
– BMW Finance N.V., The Hague	1,288	2,618
– BMW Japan Finance Corp., Tokyo	822	592
– BMW (UK) Capital plc, Bracknell	4	813
Guarantees on behalf of		
– BMW (UK) Capital plc, Bracknell	320	870
– BMW US Capital, LLC, Wilmington, Del.	158	182
– BMW Finance N.V., The Hague	15	19
Other	789	842
Guarantees	18,859	19,461
– thereof on behalf of affiliated companies	(647)	(687)
Guarantee letter on behalf of		
– BMW Bank GmbH, Munich	5,420	4,806

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 commitments

The present value of commitments under rental and

lease agreements amounts to euro 1,888 million, analysed by due date as follows:

in euro million	31.12.2005
2006	664
2007–2010	591
later than 2010	633

Of these amounts, euro 1,094 million relates to subsidiaries.

Purchase commitments for capital expenditure amount to euro 560 million.

Derivative financial instruments

The Company is exposed to interest rate, exchange rate and raw material price risks from underlying transactions and forecast transactions. These risks

are hedged by derivative financial instruments. At 31 December 2005, the following derivative financial instruments were in place:

in euro million	Nominal volume	Net fair values
Currency-related instruments		
Forward currency contracts	1,715	– 5
Cross currency swaps	777	– 28
FX options	523	– 5
	3,015	– 38
Interest rate-related instruments		
Interest rate swap	213	–
Purchasing-related instruments		
Commodities	199	48

Provisions of euro 24 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 are measured with reference to the nominal values of derivative financial instruments and do not take account of any off-setting 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 11.5 % 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."

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Notes to the Income Statement

[12] Revenues	in euro million	2005	2004
	Automobiles	35,876	34,729
	Motorcycles	848	748
	Other revenues	5,077	5,120
		41,801	40,597
	Germany	11,294	11,172
	United Kingdom	4,372	4,012
	Rest of Europe	9,978	8,937
	North America	10,096	11,114
	Asia	4,068	3,624
	Other regions	1,993	1,738
		41,801	40,597

- [13] Other operating income Other operating income, amounting to euro 1,223 million in the year under report (2004: euro 1,741 million) comprises mainly income from the release of provisions, amounts charged to group companies and exchange gains.
- [14] Other operating expenses Other operating expenses in 2005 amounted to euro 330 million (2004: euro 748 million) and mainly comprise additions to provisions, amounts charged by group companies and exchange losses.

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[15] Result from investments

in euro million	2005	2004
Income from investments	389	7
– thereof from subsidiaries: euro 383 million (2004: euro 7 million)		
Income from profit and loss transfer agreements	258	654
Expenses from loss transfers	–	25
	647	636

[16] Net interest expense

in euro million	2005	2004
Other interest and similar income	113	120
– thereof from subsidiaries: euro 32 million (2004: euro 25 million)		
Interest and similar expenses	136	203
– thereof to subsidiaries: euro 67 million (2004: euro 100 million)		
	–23	–83

[17] Income taxes

Adjustments resulting from a completed field tax audit gave rise to tax reimbursements relating to prior years which exceeded the current tax expense for the year under report.

The unappropriated profit of BMW AG of euro 424 million for 2005 will be proposed to the Annual General Meeting for distribution. The proposed dividend payment gives rise, under German accounting rules (HGB) to a tax credit of euro 12 million in con-

junction with the corporation tax system in place up to 2001. Tax reduction benefits of euro 156 million, which result from the previous corporation tax system, can be realised in specific annual amounts during the period from 2006 to 2019. As a result of the maximum amount regulations which apply for each dividend year, the total amount will not be fully utilised before 2019.

Cost of materials

in euro million	2005	2004
Purchased raw materials and supplies	30,178	28,736
Purchased services	832	765
	31,010	29,501

Personnel costs

in euro million	2005	2004
Wages and salaries	4,501	4,334
Social security, pension and welfare costs	1,627	1,554
– thereof pension costs: euro 912 million (2004: euro 836 million)		
	6,128	5,888

Average workforce during the year	2005	2004
Head office and Munich plant	27,557	27,545
Dingolfing plant	20,153	21,344
Regensburg plant	10,161	10,112
Landshut plant	3,318	3,271
Leipzig plant	1,989	1,033
Berlin plant	2,733	2,881
Branches	5,460	5,286
	71,371	71,472
Apprentices and students gaining work experience	5,765	5,733
	77,136	77,205

Fee expense

in euro million	2005	2004
Year-end audits	1	1
Tax advisory services	2	2
	3	3

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

Tax advisory services relates principally to fees for services provided to employees delegated abroad.

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Declaration relating to the Corporate Governance Code

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft have issued a declaration, required by §161 of the German Stock Corporation Act, which is included in the BMW Group Annual Report 2005 and which is available to shareholders on the BMW Group website (www.bmwgroup.com/ir).

Total compensation of the Board of Management and Supervisory Board

Subject to 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 2005 amounts to euro 12.2 million (2004: euro 11.9 million). This comprised a fixed component of euro 2.0 million (2004: euro 1.9 million) and a variable component of euro 10.2 million (2004: euro 10.0 million).

The remuneration paid to former members of the Board of Management and their dependants amounts to euro 2.6 million (2004: euro 2.5 million).

Pension obligations for former members of the Board of Management and their dependants are covered by pension provisions of euro 37.0 million (2004: euro 36.8 million).

Subject to the approval of the proposed dividend at the Annual General Meeting of Shareholders, the remuneration of the Supervisory Board for 2005 amounts to euro 2.5 million (2004: euro 2.4 million). This comprised a fixed component of euro 0.1 million (2004: euro 0.1 million) and a variable component of euro 2.4 million (2004: euro 2.3 million).

Munich, February 2006

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 2005. 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, 24 February 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Hoyos
Wirtschaftsprüfer

Höfer
Wirtschaftsprüfer

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Members of the Supervisory Board

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**

Allianz Versicherungs-AG
Bertelsmann AG
FESTO AG
MAN AG (Deputy Chairman)

Deere & Company
Leipziger Messe GmbH

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
Gerling-Konzern Allgemeine Versicherungs-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**

Degussa AG
Deutsche Lufthansa AG
ERGO Versicherungsgruppe AG
Schwarz-Pharma AG (Chairman)
Henkel KGaA

Volker Doppelfeld

Former member of the Board of
Management of BMW AG

Mandates**

D. A. S. Deutsche Automobilschutz Allgem.
Rechtsschutz-Versicherungs AG
Bizerba GmbH & Co. KG

* Employee representative

** Mandates

Membership of other supervisory boards and comparable boards in Germany
and abroad at 31.12. 2005

Bertin Eichler*

Executive Member of the
Executive Board of IG Metall

Mandates**

ThyssenKrupp AG (Deputy Chairman)
BHW Holding AG
BGAG Beteiligungsgesellschaft der
Gewerkschaften AG (Chairman)

Ulrich Eckelmann*

Head of the Industry, Technology and
Environment section of IG Metall

Mandates**

ThyssenKrupp Automotive AG

Werner Eisgruber*

Member of the Works Council, Dingolfing

Franz Haniel

Managing Director of Giesecke & Devrient GmbH

Mandates**

Franz Haniel & Cie. GmbH (Chairman)
secunet Security Networks AG

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

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
LSG Lufthansa Service Holding AG
Lufthansa Cargo AG
Lufthansa Cityline GmbH (Chairman)
Lufthansa Technik AG
Münchener Rückversicherungs-Gesellschaft AG
Thomas Cook AG (Deputy Chairman)

HEICO Corp.
SWISS International Air Lines AG

Werner Neugebauer*

Regional Executive Officer of IG Metall Bavaria

Franz Oberländer*

Member of the Works Council, Munich

Anton Ruf*

Director Technical Integration

Prof. Dr. Jürgen Strube

Chairman of the Supervisory Board of BASF AG

Mandates**

Allianz Lebensversicherungs-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

Membership of other supervisory boards and comparable boards in Germany and abroad at 31.12. 2005

Members of the Board of Management

Dr. Helmut Panke

Chairman

Mandates**

Microsoft Corp.

UBS AG

Ernst Baumann

Human Resources, Industrial Relations Director

Mandates**

Krones AG

Dr. Michael Ganai

Sales and Marketing

Mandates**

BMW Brilliance Automotive Ltd.

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

Development and Purchasing

Stefan Krause

Finance

Mandates**

BMW Brilliance Automotive Ltd. (Deputy Chairman)

Dr.-Ing. Norbert Reithofer

Production

Mandates**

BMW Brilliance Automotive Ltd.

BMW Motoren GmbH (Chairman)

BMW Österreich Holding GmbH (Chairman)

BMW (South Africa) (Pty) Ltd. (Chairman)

General Counsel:

Dr. Dieter Löchelt

** Mandates

Membership of other supervisory boards and comparable boards in Germany
and abroad at 31.12.2005

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BMW AG

Principal Subsidiaries

Principal subsidiaries of BMW AG at 31 December 2005	Equity in euro million	Net result in euro million	Capital investment in %
Domestic ¹⁾			
BMW Bank GmbH, Munich ²⁾	268	–	100
BMW Finanz Verwaltungs GmbH, Munich	216	⁴⁾	100
BMW INTEC Beteiligungs GmbH, Munich ²⁾	113	–	100
softlab GmbH für Systementwicklung und EDV-Anwendung, Munich	56	3	100
BMW Ingenieur-Zentrum GmbH + Co., Dingolfing	47	8	100
BMW Maschinenfabrik Spandau GmbH, Berlin	39	1	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 2005**

	Equity in euro million	Net result in euro million	Capital investment in %
Foreign ^{5]}			
BMW Österreich Holding GmbH, Steyr	1,144	110	100
BMW Motoren GmbH, Steyr	765	206	100
BMW Austria Gesellschaft m.b.H., Salzburg	46	4	100
BMW Holding B.V., The Hague	5,529	14	100
BMW Australia Finance Ltd., Melbourne, Victoria	449	22	100
BMW Finance N.V., The Hague	423	-19	100
BMW Overseas Enterprises N.V., Willemstad	59	1	100
BMW Japan Corp., Tokyo	324	47	100
BMW Japan Finance Corp., Tokyo	250	21	100
BMW (South Africa) (Pty) Ltd., Pretoria	319	53	100
BMW (Schweiz) AG, Dielsdorf	309	26	100
BMW Italia S.p.A., Milan	259	114	100
BMW France S.A., Montigny le Bretonneux	196	64	100
BMW Australia Ltd., Melbourne, Victoria	81	45	100
BMW Belgium Luxembourg S.A./N.V., Bornem	71	20	100
BMW Canada Inc., Whitby	66	50	100
BMW Sverige AB, Stockholm	32	8	100
BMW Korea Co., Ltd., Seoul	30	19	100
BMW Nederland B.V., The Hague	27	15	100
BMW Automotive (Ireland) Ltd., Dublin	25	7	100
BMW New Zealand Ltd., Auckland	4	2	100
BMW (UK) Holdings Ltd., Bracknell	1,810	-65	100
BMW (UK) Manufacturing Ltd., Bracknell	658	179	100
BMW (GB) Ltd., Bracknell	533	235	100
BMW Financial Services (GB) Ltd., Hook	305	33	100
BMW (UK) Capital plc, Bracknell	145	6	100
BMW Malta Ltd., Valletta	707	71	100
BMW Malta Finance Ltd., Valletta	586	48	100
BMW Coordination Center V.o.F., Bornem	590	-1	100
BMW España Finance S.L., Madrid	247	35	100
BMW Ibérica S.A., Madrid	204	76	100
BMW de Mexico, S.A. de C.V., Mexico City	23	13	100
BMW (US) Holding Corporation, Wilmington, Del.	927	180	100
BMW Manufacturing, LLC, Wilmington, Del.	693	73	100
BMW of North America, LLC, Wilmington, Del.	626	216	100
BMW Financial Services NA, LLC, Wilmington, Del.	489	106	100
BMW US Capital, LLC, Wilmington, Del.	316	42	100

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BMW AG 10-year Comparison

		2005	2004
Revenues	euro million	41,801	40,597
Change	%	3.0	10.1
Export ratio	%	73.0	72.5
Vehicle production			
Automobiles	units	1,323,119	1,250,345
Motorcycles ^{1]}	units	92,012	93,836
Sales volume			
Automobiles	units	1,334,426	1,241,659
Motorcycles ^{1]}	units	95,343	91,797
Capital expenditure	euro million	1,472	2,321
Depreciation and amortisation	euro million	1,770	1,535
Workforce at year-end		76,536	77,252
thereof wage-earners		41,272	41,741
thereof salary-earners		29,371	29,532
Tangible, intangible and investment assets	euro million	10,577	10,893
Current assets and prepayments	euro million	9,225	8,910
Subscribed capital	euro million	661 ^{2]}	674
Reserves	euro million	4,023	4,516
Equity	euro million	5,108	5,609
as % of tangible, intangible and investment assets	%	48.3	51.5
Long-term liabilities ^{3]}	euro million	4,723	3,849
Long-term equity and liabilities ^{4]}	euro million	9,831	9,458
as % of tangible, intangible and investment assets	%	92.9	86.8
Balance sheet total	euro million	19,802	19,803
Cost of materials	euro million	31,010	29,501
Personnel costs	euro million	6,128	5,888
Taxes	euro million	-37	327
Net profit	euro million	424	747
Dividend	euro million	424 ^{5]}	419
per share of common stock ^{6]}	euro	0.64 ^{5]}	0.62
per share of preferred stock ^{6]}	euro	0.66 ^{5]}	0.64

1] up to 1999 including BMW F650 assembly at Aprilia S.p.A.; from 2000 including C1

2] after offset of bought-back shares

3] 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

4] Equity, long-term liabilities

5] Proposed by the Board of Management

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

2003	2002	2001	2000	1999	1998	1997	1996
36,881	35,315	29,993	25,276	21,770	19,828	18,340	16,581
4.4	17.7	18.7	16.1	9.8	8.1	10.6	13.5
72.8	72.3	68.8	66.1	62.6	61.1	60.8	59.6
1,118,940	1,090,258	946,730	834,519	755,547	706,426	672,238	638,341
89,745	97,553	100,213	93,608	69,316	60,152	54,933	48,950
1,117,267	1,082,735	939,521	831,975	753,084	702,788	665,630	638,642
93,625	102,418	98,146	88,194	68,094	58,652	55,983	48,659
2,293	2,140	1,610	1,215	1,104	1,004	1,046	881
1,322	1,222	1,093	893	869	881	821	768
75,969	73,283	69,939	66,262	63,785	62,747	60,593	59,420
41,933	41,239	40,385	38,546	37,774	38,241	37,244	37,128
28,404	26,894	24,997	23,513	21,970	20,697	19,829	18,968
11,386	10,469	9,106	8,333	4,372	5,308	5,198	4,698
8,096	6,385	6,359	7,124	6,424	5,758	4,507	4,081
674	674	673	672	671	658	506	506
4,188	4,171	3,890	3,867	3,846	3,840	2,844	2,714
5,254	5,196	4,913	4,849	4,786	4,732	3,553	3,372
46.1	49.6	54.0	58.2	109.5	89.2	68.4	71.8
2,834	2,316	1,985	1,650	1,518	1,384	1,239	1,197
8,088	7,512	6,898	6,499	6,304	6,116	4,792	4,569
71.0	71.8	75.8	78.0	144.2	115.2	92.2	97.3
19,482	16,854	15,465	15,457	10,796	11,066	9,705	8,779
26,190	24,857	21,341	17,355	14,418	13,174	11,734	10,528
5,398	4,762	4,596	4,002	3,722	3,516	3,198	3,144
118	48	15	- 60	12	257	318	192
392	615	350	310	269	291	322	283
392	351	350	310	269	234	203	152
0.58	0.52	0.52	0.46	0.40	10.23	10.23	7.67
0.60	0.54	0.54	0.48	0.42	10.74	10.74	8.18

Financial Calendar

Interim Report to 31 March 2006
Annual General Meeting
Interim Report to 30 June 2006
Interim Report to 30 September 2006

3 May 2006
16 May 2006
2 August 2006
2 November 2006

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