

Financial Statements of BMW AG

Financial Year 2007

BMW Group

Rolls-Royce
Motor Cars Limited



BMW AG

in figures

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		2007	2006	Change in %
Revenues	euro million	48,310	42,417	13.9
Export ratio	%	76.1	74.3	
Production				
Automobiles	units	1,541,503	1,366,838	12.8
Motorcycles ¹⁾	units	104,396	103,759	0.6
Sales volume				
Automobiles	units	1,551,490	1,358,119	14.2
Motorcycles ¹⁾	units	104,076	102,786	1.3
Capital expenditure	euro million	1,670	1,324	26.1
Depreciation and amortisation	euro million	1,791	1,765	1.5
Workforce at year-end		76,064	76,156	-0.1
of which wage-earners		40,067	40,558	-1.2
of which salary-earners		30,201	29,699	1.7
Tangible, intangible and investment assets	euro million	9,909	10,171	-2.6
Current assets and prepayments	euro million	12,707	10,874	16.9
Subscribed capital	euro million	654	654	-
Reserves	euro million	4,300	3,809	12.9
Equity	euro million	5,648	4,921	14.8
as % of tangible, intangible and investment assets	%	57.0	48.4	
Non-current liabilities ²⁾	euro million	4,068	4,786	-15.0
Equity and non-current liabilities ³⁾	euro million	9,733	9,707	0.3
as % of tangible, intangible and investment	%	98.2	95.4	
Balance sheet	euro million	22,616	21,045	7.5
Cost of materials	euro million	36,638	31,867	15.0
Personnel cost	euro million	4,797	5,503	-12.8
Taxes	euro million	131	75	74.7
Net profit	euro million	1,184	485	144.1
Dividend	euro million	694 ⁴⁾	458	51.5
per share of common stock with a par value of euro 1 each	euro	1.06 ⁴⁾	0.70	
per share of preferred stock with a par value of euro 1 each	euro	1.08 ⁴⁾	0.72	

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

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

3) Equity, special untaxed reserves, non-current liabilities

4) Proposed by the Board of Management

The BMW AG Financial Statements and Management Report for the financial year 2007 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 2007.

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in euro million	Notes	2007	2006
Assets			
Intangible assets	[1]	109	80
Property, plant and equipment		4,986	5,268
Investments	[2]	4,814	4,823
Tangible, intangible and investment assets		9,909	10,171
Inventories	[3]	2,654	2,866
Trade receivables	[4]	1,218	1,075
Receivables from subsidiaries	[4]	5,937	4,478
Other receivables and other assets	[4]	644	693
Marketable securities	[5]	1,763	1,583
Cash and cash equivalents	[6]	436	106
Current assets		12,652	10,801
Prepayments		55	73
Total assets		22,616	21,045
Equity and liabilities			
Subscribed capital	[7]	654	654
Capital reserves	[7]	1,991	1,991
Revenue reserves	[8]	2,309	1,818
Unappropriated profit available for distribution		694	458
Equity		5,648	4,921
Registered profit-sharing certificates	[9]	34	34
Special untaxed reserve for emission rights granted free of charge		–	1
Special untaxed reserves	[10]	34	–
Pension provisions		3,793	4,347
Other provisions		6,292	6,131
Provisions	[11]	10,085	10,478
Liabilities to banks		394	607
Trade payables		1,716	2,046
Liabilities to subsidiaries		2,597	1,618
Other liabilities		2,094	1,313
Liabilities	[12]	6,801	5,584
Deferred income		14	27
Total equity and liabilities		22,616	21,045

in euro million	Notes	2007	2006
Revenues	[13]	48,310	42,417
Cost of sales		-41,448	-36,364
Gross profit		6,862	6,053
Sales costs		-2,786	-2,560
Administrative costs		-881	-917
Research and development costs		-2,828	-2,966
Other operating income and expenses	[14] [15]	731	654
Result on investments	[16]	255	304
Net interest result	[17]	-38	-8
Profit from ordinary activities		1,315	560
Income taxes	[18]	-115	-60
Other taxes		-16	-15
Net profit		1,184	485
Profit carried over from previous year		1	4
Transfer to revenue reserves	[19]	-491	-31
Unappropriated profit available for distribution		694	458

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in euro million	Acquisition and manufacturing cost				31.12. 2007
	1.1.2007	Additions	Reclassifi- cations	Disposals	
Intangible assets	253	63	-	29	287
Land, titles to land, buildings, including buildings on third party land	2,928	92	20	178	2,862
Plant and machinery	14,719	956	112	524	15,263
Other facilities, factory and office equipment	1,153	121	10	81	1,203
Advance payments made and construction in progress	201	438	- 142	1	496
Property, plant and equipment	19,001	1,607	-	784	19,824
Investment in subsidiaries	4,811	-	-	-	4,811
Investment in other companies	16	-	-	9	7
Other non-current loans receivable	1	-	-	-	1
Investments	4,828	-	-	9	4,819
Tangible, intangible and investment assets	24,082	1,670	-	822	24,930

	Depreciation and amortisation			Carrying amount	
	1.1.2007	Current year	Disposals	31.12.2007	31.12.2006
	173	34	29	178	109
					80
	1,270	79	58	1,291	1,571
	11,552	1,557	516	12,593	2,670
	911	121	78	954	249
	-	-	-	-	496
	13,733	1,757	652	14,838	4,986
	-	-	-	-	4,811
	4	-	-	4	3
	1	-	-	1	-
	5	-	-	5	4,814
	13,911	1,791	681	15,021	10,171

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Accounting Policies and Principles

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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 depreciated 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 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 non-current assets is written off in full in the year of acquisition. The Company applies all special depreciation permitted under German tax legislation. In addition, a special untaxed reserve pursuant to § 6b of the German Income Tax Act (EStG) has been recognised.

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, technical 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 impairment no longer exist, impairment losses previously recorded are reversed in accordance with German accounting law, at a maximum up to the level of original cost. Loans which bear no or a 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 reduced saleability. 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 5.50%. 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 repayment 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 unrealised losses.

Revenues from the sale of vehicles to car rental companies are not recognised when there is an obligation to take back 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 revised version dated 29 November 2006) 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

The disposal of investments relates to the sales of the investment in TRITEC Motors Ltda., Campo Largo to Chrysler LLC, Auburn Hills.

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

[3] Inventories

in euro million	31.12.2007	31.12.2006
Raw materials and supplies	403	486
Work in progress, unbilled contracts	164	156
Finished goods and goods for resale	1,873	2,021
Leased products	214	203
	2,654	2,866

[4] Receivables and other assets

in euro million	31.12.2007	31.12.2006
Trade receivables	1,218	1,075
Receivables from subsidiaries	5,937	4,478
Other receivables and other assets		
Receivables from other companies in which an investment is held	100	195
Other assets	544	498
– thereof due later than one year euro 124 million (2006: euro 136 million)		
	644	693
	7,799	6,246

Receivables from subsidiaries relate to trade and financing receivables.

Other assets comprise mainly tax receivables.

[5] Marketable securities

in euro million	31.12.2007	31.12.2006
Other marketable securities	1,440	1,311
Deferred remuneration retirement scheme	323	272
	1,763	1,583

Other marketable securities include shares in securities funds and variable rate securities. The deferred remuneration retirement scheme comprises employees' remuneration which has been converted into pension entitlements and invested in investment funds.

Other marketable securities include euro 85 million assigned as collateral to Deutsche Treuinvest Stiftung, Frankfurt am Main, to secure obligations resulting from pre-retirement part-time work arrangements.

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[6] Cash and cash equivalents

in euro million	31.12.2007	31.12.2006
Cash and cash equivalents	436	106
– of which held by subsidiaries euro 56 million (2006: euro 11 million)		

[7] Subscribed capital and capital reserves

in euro million	31.12.2007	31.12.2006
Subscribed capital		
Balance brought forward	654	674
Withdrawal from circulation of bought-back shares	–	–20
	654	654
Capital reserves		
Balance brought forward	1,991	1,971
Transfer to capital reserves pursuant to § 237 (5) AktG	–	20
	1,991	1,991

BMW AG's issued share capital of euro 654 million comprises 601,995,196 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. 660,305 of the shares of preferred stock are only entitled to receive dividends with effect from the beginning of the financial year 2008. Preferred stock bears an additional dividend of euro 0.02 per share. All of the company's stock is issued to bearer.

During the financial year 2007, BMW AG acquired 660,305 treasury shares of preferred stock at an average price of euro 45.48 per share. These shares were issued to employees at a reduced price of euro 26.42 per share in conjunction with an employee share scheme. As a result of the repurchase of shares of preferred stock shares and their sub-

sequent issue, the preferred stock portion of share capital remained unchanged at euro 52 million.

At the Annual General Meeting of BMW AG on 15 May 2007, the shareholders again 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 those shares from circulation without any further resolution by the Annual General Meeting. At the same time, the authorisation from 16 May 2006 to acquire treasury shares was rescinded. The authorisation from 15 May 2007 is valid until 14 November 2008. The authorisation was not exercised in 2007. It has not yet been decided whether or the extent to which the authorisation will be used in the future.

[8] Revenue reserves

in euro million	31.12.2007	31.12.2006
Statutory reserves	1	1
Other revenue reserves		
Balance brought forward	1,817	2,051
Transfer from net profit	491	31
Offset against Treasury shares	–	–245
Transfer to capital reserves pursuant to § 237 (5) AktG	–	–20
	2,308	1,817
	2,309	1,818

[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. At 31 December 2007, there were 724,937 registered profit-sharing certificates outstanding (2006: 735,539 certificates).

[10] Special untaxed reserves

Special untaxed reserves were recognised in accordance with § 6b (3) EStG.

[11] Provisions

in euro million	31.12.2007	31.12.2006
Pension provisions	3,793	4,347
Taxes	120	66
Other provisions	6,172	6,065
	10,085	10,478

Pension provisions include euro 2,248 million for vested benefits, euro 1,140 million for current pension payments and euro 405 million for the deferred remuneration retirement scheme. 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 also relate 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.

[12] Liabilities

31 December in euro million	2007	2007 thereof due within one year	2007 thereof due later than five years	2006
Liabilities to banks	394	178	3	607
Trade payables	1,716	1,712	–	2,046
Liabilities to subsidiaries	2,597	2,597	–	1,618
Other liabilities				
Advance payments received on orders	16	16	–	9
Liabilities to BMW Unterstützungsverein e.V.	4	–	4	5
Sundry other liabilities	2,074	2,074	–	1,299
– thereof euro 323 million secured by the assignment of finished goods as collateral				
– thereof for social security	(22)	(22)	–	(23)
	2,094	2,090	4	1,313
	6,801	6,577	7	5,584

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Contingent liabilities

in euro million	31.12.2007	31.12.2006
Contingent liability under bills of exchange	1	1
Guarantees for bonds issued by		
– BMW Finance N.V., The Hague	7,925	5,045
– BMW US Capital, LLC, Wilmington, Del.	4,254	4,217
– BMW (UK) Capital plc, Bracknell	1,171	405
– BMW Australia Finance Ltd., Melbourne, Victoria	1,116	575
– BMW Coordination Center V.o.F., Bornem	650	1,339
– BMW Japan Finance Corp., Tokyo	383	–
Guarantees for bonds and notes issued by		
– BMW US Capital, LLC, Wilmington, Del.	3,431	3,379
– BMW Finance N.V., The Hague	2,626	1,465
– BMW Japan Finance Corp., Tokyo	858	1,408
– BMW Canada Inc., Whitby	200	–
– BMW (UK) Capital plc, Bracknell	187	163
– BMW Australia Finance Ltd., Melbourne, Victoria	151	856
– BMW Coordination Center V.o.F., Bornem	–	475
Guarantees on behalf of		
– BMW (UK) Capital plc, Bracknell	167	178
– BMW US Capital, LLC, Wilmington, Del.	20	44
– BMW Finance N.V., The Hague	5	10
Other	813	802
Guarantees	23,957	20,361
– thereof on behalf of affiliated companies	(611)	(497)
Guarantee letter on behalf of		
– BMW Bank GmbH, Munich	4,597	5,102

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 1,993 million, analysed by due date as follows:

in euro million	31.12.2007
2008	694
2009–2012	610
later than 2012	689

Of these amounts, euro 1,089 million relate to subsidiaries.

Purchase commitments for capital expenditure totalled euro 1,504 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.

in euro million	Nominal volume		Net fair values	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Currency-related instruments				
Forward currency contracts	1,647	1,461	-18	-12
Cross currency swaps	677	777	-61	-57
FX options	703	123	-	-
	3,027	2,361	-79	-69
Interest rate-related instruments				
Interest rate swap	277	265	-2	-1
Purchasing-related instruments				
Commodities	197	267	47	41

Provisions of euro 18 million (2006: 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 available 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 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 (WpHG) 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.”

Notification pursuant to § 26 (1) of the German Securities Trade Act on 14 Februar 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) WpHG 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.

[13] Revenues

in euro million	2007	2006
Automobiles	41,642	36,093
Motorcycles	888	887
Other revenues	5,780	5,437
	48,310	42,417
Germany	11,533	10,896
United Kingdom	4,976	4,251
Rest of Europe	13,411	10,532
North America	11,242	10,527
Asia	4,860	4,266
Other regions	2,288	1,945
	48,310	42,417

[14] Other operating income

Other operating income, amounting to euro 1,045 million in the year under report (2006: euro 1,014 million), comprises mainly income from the reversal of

provisions, amounts recharged to group companies and exchange gains.

[15] Other operating expenses

Other operating expenses in 2007 amounted to euro 314 million (2006: euro 360 million) and comprise mainly expenses for allocations to provisions, com-

mission expense for intragroup financing, exchange losses and the transfer to special untaxed reserves.

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[16] Result on investments

in euro million	2007	2006
Income from investments	1	11
– thereof from subsidiaries euro 1 million (2006: euro 11 million)		
Income from profit and loss transfer agreements	254	293
	255	304

[17] Net interest result

in euro million	2007	2006
Other interest and similar income	289	189
– thereof from subsidiaries euro 193 million (2006: euro 91 million)		
Interest and similar expenses	327	197
– thereof to subsidiaries euro 195 million (2006: euro 101 million)		
	–38	–8

[18] Income taxes

The increase in the expense for income taxes was primarily attributable to the exceptional reduction of tax expense in the previous year when the corpora-

tion tax credit pursuant to § 37 (5) of the German Corporation Tax Act (KStG) was recognised as an asset.

[19] Transfer to revenue reserves

An amount of euro 491 million was transferred from net profit for the year to other revenue reserves.

[20] Impact of tax regulations on net profit

The net profit for the year was reduced by euro 23 million as a result of a tax-based item (transfer to special untaxed reserves).

Cost of materials

in euro million	2007	2006
Purchased raw materials and supplies	35,751	30,913
Purchased services	887	954
	36,638	31,867

Personnel expense

in euro million	2007	2006
Wages and salaries	4,553	4,516
Social security, pension and welfare costs	244	987
– thereof pension costs euro – 458 million (2006: euro 262 million)		
	4,797	5,503

Average workforce during the year	2007	2006
Head office and Munich plant	27,449	27,324
Dingolfing plant	19,653	19,809
Regensburg plant	9,729	9,902
Landshut plant	3,213	3,246
Leipzig plant	2,408	2,253
Berlin plant	2,649	2,663
Branches	5,411	5,445
	70,512	70,642
Apprentices and students gaining work experience	5,623	5,732
	76,135	76,374

Fee expense

in euro million	2007	2006
Year-end audits	1	1
Tax advisory services	3	2
	4	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.

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Declaration with respect to the Corporate Governance Code

The Declaration with respect to the Corporate Governance Code pursuant to § 161 AktG is disclosed in the Annual Report 2007 of the BMW Group and is available to shareholders on the BMW Group's website (www.bmwgroup.com/ir).

Total remuneration 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 2007 amounts to euro 15.2 million (2006: euro 14.5 million). This comprises fixed components of euro 2.7 million (2006: euro 2.3 million) and variable components of euro 12.5 million (2006: euro 12.2 million).

The remuneration of former Board members and their surviving dependants amounts to euro 4.3 million (2006: euro 3.8 million).

Pension obligations to former members of the Board of Management and their dependants are fully covered by pension provisions amounting to euro 38.3 million (2006: euro 38.8 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 2007 amounts to euro 2.8 mil-

lion (2006: euro 2.7 million). This comprises fixed components of euro 0.1 million (2006: euro 0.1 million) and variable components of euro 2.7 million (2006: euro 2.6 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 142 to 145 of the BMW Group Annual Report 2007. The compensation report is part of the combined Company and Group management report.

Munich, 19 February 2008

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Responsibility Statement by the Company's Legal Representatives in accordance with §§ 264 (2) sentence 3, 289 (1) sentence 5 of the German Commercial Code (HGB)

"To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Bayerische Motoren Werke Aktiengesellschaft, and the management report includes a fair review of the development and performance of the business and the position of the Company, together

with a description of the principal opportunities and risks associated with the expected development of Bayerische Motoren Werke Aktiengesellschaft."

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 the combined Group and Company management report of Bayerische Motoren Werke Aktiengesellschaft, Munich, for the business year from 1 January to 31 December 2007. The maintenance of the books and accounts and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Board of 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 financial statements in accordance with § 317 HGB [Handelsgesetzbuch: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that material misstatements 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 evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related

internal control system relating to the accounting 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 the Board of 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 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, 3 March 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Schindler
Wirtschaftsprüfer

Pastor
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 and Nomination Committee; member of the Mediation Committee

Mandates

- Bertelsmann AG
- FESTO AG
- MAN AG (Deputy Chairman) (until 10.05.2007)
- SAP AG (from 16.05.2007)
- Deere & Company

Manfred Schoch*

Deputy Chairman

Chairman of the General Works Council
 Industrial Engineer

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, Nomination Committee and Mediation Committee

Mandates

- DELTON AG (Chairman)
- Dresdner Bank AG (until 31.12.2007)
- DataCard Corp.

Konrad Gottinger*

(until 15.02.2008)

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, Audit Committee and Nomination Committee

Mandates

- Deutsche Lufthansa AG
- ERGO Versicherungsgruppe AG
- Henkel KGaA

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)

* Employee representative

● Membership of other statutory supervisory boards

◦ Membership of equivalent national or foreign boards of business enterprises

Franz Haniel

Engineer, MBA

Mandates

- DELTON AG (Deputy Chairman)
- Franz Haniel & Cie. GmbH (Chairman)
- Heraeus Holding GmbH
- Metro AG (Chairman) (from 04.11.2007)
- secunet Security Networks AG
- Giesecke & Devrient GmbH

Arthur L. Kelly

Managing Partner of
KEL Enterprises L.P.

Mandates

- BASF SE
- 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)
- UnternehmerTUM GmbH

Willibald Löw*

Chairman of the Works Council, Landshut

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)
(until 02.04.2007)
- HEICO Corp.
- SWISS International Air Lines AG

Heinz-Joachim Neubürger

Senior Advisor of Kohlberg Kravis Roberts & Co.
Managing Director of Kohlberg Kravis Roberts &
Co. Ltd.
Export Merchant, MBA

Mandates

- Allianz Versicherungs-AG
- ProSiebenSat.1 Media AG (from 17.07.2007)
- KKR Guernsey GP Limited (until 15.06.2007)
- Gruppo Banca Leonardo S.p.A. (until 19.07.2007)

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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 SE

Mandates

- Allianz Deutschland AG
- BASF SE (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

● Membership of other statutory supervisory boards

○ Membership of equivalent national or foreign boards of business enterprises

Dr.-Ing. Norbert Reithofer

Chairman

Frank-Peter Arndt

Production

Mandates

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

Ernst Baumann

Human Resources, Industrial Relations Director

Mandates

- Krones AG

Dr.-Ing. Herbert Diess

(from 01.10.2007)

Purchasing and Supplier Network

Dr.-Ing. Klaus Draeger

Development

Dr. Friedrich Eichner

(from 01.10.2007)

Corporate and Brand Development

Mandates

- BMW Brilliance Automotive Ltd. (Deputy Chairman)
(from 01.11.2007)
- BMW (US) Holding Corp.

Dr. Michael Ganal

Sales and Marketing (until 30.09.2007)

Finance (from 01.10.2007)

Mandates

- BMW Brilliance Automotive Ltd. (Deputy Chairman)
(until 31.10.2007)

Stefan Krause

Finance (until 30.09.2007)

Sales and Marketing (from 01.10.2007)

Mandates

- Allianz Deutschland AG

General Counsel:

Dr. Dieter Löchelt

BMW AG

Principal Subsidiaries

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Principal subsidiaries of BMW AG at 31 December 2007	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	130	–46	100
BMW INTEC Beteiligungs GmbH, Munich ²⁾	113	–	100
Cirquent GmbH, Munich ³⁾	71	–	100
BMW Ingenieur-Zentrum GmbH+Co., Dingolfing	47	4	100
BMW Maschinenfabrik Spandau GmbH, Berlin	41	1	100
BMW Leasing GmbH, Munich ²⁾	16	–	100
BMW Hams Hall Motoren GmbH, Munich ⁴⁾	15	–	100
BMW Fahrzeugtechnik GmbH, Eisenach ²⁾	11	–	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich ²⁾	5]	–	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) Consolidated with the operating subsidiaries of Cirquent GmbH, Munich. The sub-group financial statements have been drawn up in accordance with IFRS.

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

5] below euro 0.5 million

6) 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 2007**

	Equity in euro million	Net result in euro million	Capital investment in %
Foreign ⁶⁾			
BMW Österreich Holding GmbH, Steyr	1,545	286	100
BMW Motoren GmbH, Steyr	851	173	100
BMW Russland Trading OOO, Moscow	157	47	100
BMW China Automotive Trading Ltd., Beijing	138	91	100
BMW Austria Gesellschaft m. b. H., Salzburg	64	14	100
BMW Holding B.V., The Hague	6,191	402	100
BMW Australia Finance Ltd., Melbourne, Victoria	444	41	100
BMW Finance N.V., The Hague	407	-4	100
BMW Overseas Enterprises N.V., Willemstad	62	2	100
BMW (South Africa) (Pty) Ltd., Pretoria	386	28	100
BMW Italia S.p.A., Milan	373	119	100
BMW (Schweiz) AG, Dielsdorf	335	30	100
BMW Japan Corp., Tokyo	303	37	100
BMW Japan Finance Corp., Tokyo	251	20	100
BMW Canada Inc., Whitby	211	54	100
BMW Belgium Luxembourg S.A./N.V., Bornem	191	42	100
BMW France S.A., Montigny le Bretonneux	174	64	100
BMW Australia Ltd., Melbourne, Victoria	101	32	100
BMW Portugal Lda., Lisbon	58	22	100
BMW Hellas Trade of Cars SA, Athens	42	12	100
BMW Sverige AB, Stockholm	38	17	100
BMW Nederland B.V., The Hague	37	25	100
BMW Automotive (Ireland) Ltd., Dublin	30	16	100
BMW New Zealand Ltd., Auckland	25	14	100
BMW Korea Co., Ltd., Seoul	22	-4	100
BMW (UK) Holdings Ltd., Bracknell	1,263	-6	100
BMW (UK) Ltd., Bracknell	1,125	264	100
BMW (UK) Manufacturing Ltd., Bracknell	929	104	100
BMW Financial Services (GB) Ltd., Hook	345	34	100
BMW (UK) Capital plc, Bracknell	161	1	100
BMW Malta Ltd., St. Julians	865	89	100
BMW Malta Finance Ltd., St. Julians	729	62	100
BMW Coordination Center V.o.F., Bornem	594	4	100
BMW España Finance S.L., Madrid	339	44	100
BMW Ibérica S.A., Madrid	266	99	100
BMW de Mexico, S.A. de C.V., Mexico City	16	-4	100
BMW (US) Holding Corp., Wilmington, Del.	1,147	14	100
BMW Financial Services NA, LLC, Wilmington, Del.	656	149	100
BMW Manufacturing, LLC, Wilmington, Del.	564	113	100
BMW of North America, LLC, Wilmington, Del.	397	-41	100
BMW US Capital, LLC, Wilmington, Del.	203	-50	100

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		2007	2006
Revenues	euro million	48,310	42,417
Change	%	13.9	1.5
Export ratio	%	76.1	74.3
Production			
Automobiles	units	1,541,503	1,366,838
Motorcycles ¹⁾	units	104,396	103,759
Sales volume			
Automobiles	units	1,551,490	1,358,119
Motorcycles ¹⁾	units	104,076	102,786
Capital expenditure	euro million	1,670	1,324
Depreciation and amortisation	euro million	1,791	1,765
Workforce at year-end		76,064	76,156
thereof wage-earners		40,067	40,558
thereof salary-earners		30,201	29,699
Tangible, intangible and investment assets	euro million	9,909	10,171
Current assets and prepayments	euro million	12,707	10,874
Subscribed capital	euro million	654	654
Reserves	euro million	4,300	3,809
Equity	euro million	5,648	4,921
as % of tangible, intangible and investment assets	%	57.0	48.4
Non-current liabilities ²⁾	euro million	4,068	4,786
Equity and non-current liabilities ³⁾	euro million	9,733	9,707
as % of tangible, intangible and investment assets	%	98.2	95.4
Balance sheet total	euro million	22,616	21,045
Cost of materials	euro million	36,638	31,867
Personnel costs	euro million	4,797	5,503
Taxes	euro million	131	75
Net profit	euro million	1,184	485
Dividend	euro million	694 ⁴⁾	458
per share of common stock ⁶⁾	euro	1.06 ⁴⁾	0.70
per share of preferred stock ⁶⁾	euro	1.08 ⁴⁾	0.72

1) up to 1999 including BMW F 650 assembly at Aprilia S.p.A.; until 2002 including production C1; from 2006 including BMW G 650 X assembly by Piaggio S.p.A.

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

3) Equity, special untaxed reserves, non-current 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

2005	2004	2003	2002	2001	2000	1999	1998
41,801	40,597	36,881	35,315	29,993	25,276	21,770	19,828
3.0	10.1	4.4	17.7	18.7	16.1	9.8	8.1
73.0	72.5	72.8	72.3	68.8	66.1	62.6	61.1
1,323,119	1,250,345	1,118,940	1,090,258	946,730	834,519	755,547	706,426
92,012	93,836	89,745	97,553	100,213	93,608	69,316	60,152
1,334,426	1,241,659	1,117,267	1,082,735	939,521	831,975	753,084	702,788
95,343	91,797	93,625	102,418	98,146	88,194	68,094	58,652
1,472	2,321	2,293	2,140	1,610	1,215	1,104	1,004
1,770	1,535	1,322	1,222	1,093	893	869	881
76,536	77,252	75,969	73,283	69,939	66,262	63,785	62,747
41,272	41,741	41,933	41,239	40,385	38,546	37,774	38,241
29,371	29,532	28,404	26,894	24,997	23,513	21,970	20,697
10,577	10,893	11,386	10,469	9,106	8,333	4,372	5,308
9,225	8,910	8,096	6,385	6,359	7,124	6,424	5,758
661	674	674	674	673	672	671	658
4,023	4,516	4,188	4,171	3,890	3,867	3,846	3,840
5,108	5,609	5,254	5,196	4,913	4,849	4,786	4,732
48.3	51.5	46.1	49.6	54.0	58.2	109.5	89.2
4,723	3,849	2,834	2,316	1,985	1,650	1,518	1,384
9,831	9,458	8,088	7,512	6,898	6,499	6,304	6,116
92.9	86.8	71.0	71.8	75.8	78.0	144.2	115.2
19,802	19,803	19,482	16,854	15,465	15,457	10,796	11,066
31,010	29,501	26,190	24,857	21,341	17,355	14,418	13,174
6,128	5,888	5,398	4,762	4,596	4,002	3,722	3,516
-37	327	118	48	15	-60	12	257
424	747	392	615	350	310	269	291
424 ⁵⁾	419	392	351	350	310	269	234
0.64	0.62	0.58	0.52	0.52	0.46	0.40	10.23
0.66	0.64	0.60	0.54	0.54	0.48	0.42	10.74

Financial Calendar

Interim Report to 31 March 2008
Annual General Meeting
Interim Report to 30 June 2008
Interim Report to 30 September 2008

29 April 2008
8 May 2008
5 August 2008
4 November 2008

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