

FINANCIAL STATEMENTS OF BMW AG

Financial Year 2011



BMW AG

in figures

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		2011	2010	Change in %
Revenues	€ million	55,007	45,773	20.2
Export ratio	%	77.3	76.7	
Production				
Automobiles	units	1,738,160	1,481,253	17.3
Motorcycles	units	110,360	99,236	11.2
Sales volume				
Automobiles	units	1,723,637	1,460,923	18.0
Motorcycles	units	110,145	97,586	12.9
Capital expenditure	€ million	2,032	1,582	28.4
Depreciation and amortisation	€ million	1,578	1,540	2.5
Workforce at the end of year		71,630	69,518	3.0
Tangible, intangible and investment assets	€ million	9,663¹	8,273 ²	16.8
Current assets, prepayments and surplus of pension and similar plan assets over liabilities	€ million	17,845	16,073	11.0
Subscribed capital	€ million	655	655	-
Reserves	€ million	6,059	5,581	8.6
Equity	€ million	8,222	7,088	16.0
as % of tangible, intangible and investment assets	%	85.1	85.7	
Balance sheet total	€ million	27,508	24,346	13.0
Cost of materials	€ million	39,324	32,875	19.6
Personnel costs	€ million	5,758	5,428	6.1
Taxes	€ million	2,096	1,106	89.5
Net profit	€ million	1,970	1,506	30.8
Dividend	€ million	1,508³	852	77.0
per share of common stock with a par value of €1 each	€	2.30³	1.30	
per share of preferred stock with a par value of €1 each	€	2.32³	1.32	

¹ Including property, plant and equipment transferred in conjunction with merger with BMW Maschinenfabrik Spandau GmbH, Berlin

² Including property, plant and equipment transferred in conjunction with merger with BMW Ingenieur-Zentrum GmbH + Co oHG, Dingolfing

³ Proposed by the Board of Management

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Financial Statements

The BMW AG Financial Statements and Management Report for the financial year 2011 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 2011.

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in € million	Notes	2011	2010
Assets			
Intangible assets	1	161	141
Property, plant and equipment	1	6,679	6,257
Investments	2	2,823	1,875
Tangible, intangible and investment assets		9,663	8,273
Inventories	3	3,755	3,259
Trade receivables	4	729	667
Receivables from subsidiaries	4	5,827	6,448
Other receivables and other assets	4	1,479	1,122
Marketable securities	5	3,028	2,556
Cash and cash equivalents	6	2,864	1,574
Current assets		17,682	15,626
Prepayments		120	106
Surplus of pension and similar plan assets over liabilities	7	43	341
Total assets		27,508	24,346
Equity and liabilities			
Subscribed capital	8	655	655
Capital reserves	8	2,035	2,019
Revenue reserves	9	4,024	3,562
Unappropriated profit available for distribution		1,508	852
Equity		8,222	7,088
Registered profit-sharing certificates	10	32	33
Pension provisions		84	24
Other provisions		7,651	6,613
Provisions	11	7,735	6,637
Liabilities to banks		911	512
Trade payables		2,940	2,384
Liabilities to subsidiaries		6,923	7,366
Other liabilities		741	322
Liabilities	12	11,515	10,584
Deferred income		4	4
Total equity and liabilities		27,508	24,346

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Income Statement

in € million	Notes	2011	2010
Revenues	13	55,007	45,773
Cost of sales		-43,320	-37,125
Gross profit		11,687	8,648
Sales costs		-3,381	-2,783
Administrative costs		-1,410	-1,345
Research and development costs		-3,045	-2,537
Other operating income and expenses	14	670	567
Result on investments	16	181	152
Financial result	17	-665	-365
Profit from ordinary activities		4,037	2,337
Extraordinary income	18	29	314
Extraordinary expenses	18	-	-39
Income taxes	19	-2,073	-1,088
Other taxes		-23	-18
Net profit		1,970	1,506
Transfer to revenue reserves	20	-462	-654
Unappropriated profit available for distribution		1,508	852

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The financial statements of BMW AG have been drawn up in accordance with the accounting provisions contained in the German Commercial Code (HGB) and law applicable to stock corporations. Figures are presented in millions of euros (€ million) unless otherwise stated.

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. Internally generated intangible assets are not capitalised.

Property, plant and equipment are stated at acquisition or at manufacturing cost, less accumulated depreciation and impairment losses. Impairment losses are recorded when the decline in value of an asset is considered to be of a lasting nature. When the reasons for impairment no longer exist, impairment losses previously recorded are reversed, at a maximum up to their amortised cost. Property, plant and equipment are generally depreciated straight-line. The reducing balance method is also applied in specific cases, whereby a switch is made to straight-line depreciation as soon as this gives rise to a higher depreciation expense. Items acquired during the year are depreciated on a time-apportioned basis. Assets with an acquisition or manufacturing cost of up to €150 are recognised directly as an expense in the year of purchase/construction. Assets with an acquisition or manufacturing cost of between €150 and €1,000 are depreciated/amortised using the straight-line method over a period of five years.

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 4 to 21 years and other facilities, factory and office equipment mainly over five years. For machinery used in multiple-shift operations, depreciation rates are increased to account for the additional utilisation.

Investments in subsidiaries and participations 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, 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.

The composition of and changes in long-lived assets are shown in the Analysis of Changes in Tangible, Intangible and Investment Assets.

Inventories of raw materials, supplies and goods for resale are stated at the lower of cost and net realisable value. All direct material and production costs and an appropriate proportion of material and production overheads (including production-related depreciation) are taken into account in the measurement of unfinished and finished goods and leased-out products at production cost. Write-downs are made to cover risks arising from slow-moving items or reduced saleability.

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 end of the reporting period. Fair value corresponds to the market price.

In order to meet obligations relating to pensions and pre-retirement part-time working arrangements, certain assets are managed on a trustee basis by BMW Trust e.V., Munich, in conjunction with Contractual Trust Arrangements (CTA). These assets are measured at their fair value which is offset against the related obligations. A provision is recognised when obligations exceed assets. When assets exceed obligations, the surplus is reported in the balance sheet as "Surplus of pension and similar plan assets over liabilities".

Pension obligations are measured in accordance with the projected unit credit method. The calculation is based on an independent actuarial valuation which takes into account all relevant biometric factors. For reasons of consistency, provisions for obligations relating to long-service awards and pre-retirement part-time working arrangements are measured using the same methodology.

Other provisions are recognised to take account of all identified risks. Provisions are measured at their expected settlement amount. As part of the process of measuring the expected settlement amount, non-current provisions are discounted on the basis of the average interest rate relevant for their remaining terms. Estimations used to measure warranty provisions were refined on the basis of current information. The positive impact of this change in estimation amounted €147 million and has been recognised in other operating income in 2011.

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

Foreign currency receivables and payables are translated using the mid-spot exchange rate applicable at transaction date. Gains arising on the translation of period-end foreign currency receivables and payables with a remaining term of less than one year are recognised with income statement effect. Unrealised losses resulting from changes in exchange rates are recognised by restating the foreign currency amount in the balance sheet to the closing rate. Financial assets and financial liabilities denominated in a foreign currency are generally hedged.

The Company uses derivative financial instruments to hedge interest rate, currency 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, pending losses are recognised with income statement effect.

Deferred taxes are calculated for temporary differences between the tax base and accounting carrying amounts of assets, liabilities and deferred/prepaid items. Deferred tax assets and liabilities are measured on the basis of a combined income tax rate of 30.5% relevant for the BMW AG tax group. This combined rate covers corporation tax, municipal trade tax and solidarity surcharge. In the case of temporary differences arising on assets, liabilities and deferred/prepaid items of partnership entities, deferred taxes are measured on the basis of an income tax rate of 15.83% which covers corporation tax and solidarity surcharge. In the year under report, the BMW AG tax group has a surplus of deferred tax assets over deferred tax liabilities, mainly as a result of temporary differences between the tax base and accounting carrying amounts of provisions for pensions and similar obligations. BMW AG, as head of the German tax group, has elected not to recognise the surplus amount of deferred tax assets.

Share-based remuneration programmes which are expected to be settled in shares are measured at their fair value at grant date. The related expense is recognised in the income statement (as personnel expense) over the vesting period, with a contra (credit) entry recorded against capital reserves. Share-based programmes ex-

pected to be settled in cash are revalued to their fair value at each balance sheet date between the grant date and the settlement date and on the settlement date itself. The expense for such programmes is recognised in the income statement (as personnel expense) over the vesting period of the entitlements and in the balance sheet as a provision. The Board of Management share-based remuneration programme entitles BMW AG to elect whether to settle its obligations in cash or with shares of BMW AG common stock. Following the decision to settle in cash, the Board of Management share-based programme is accounted for as a cash-settled share-based transaction. Further information regarding share-based programmes is provided in note 20 to the BMW Group Financial Statements 2011.

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1 – Intangible assets and property, plant and equipment

Intangible assets comprise mainly purchased software, franchises and licenses.

Additions to property, plant and equipment include assets transferred in conjunction with the merger of BMW Maschinenfabrik Spandau GmbH, Berlin, with BMW AG, Munich.

2 – Investments

The carrying amount of investments was increased on the one hand by a transfer to capital reserves made at the level of BMW Leasing GmbH, Munich, amounting to €625 million and reduced on the other by the derecognition of the investment in BMW Vertriebs GmbH & Co. oHG, Dingolfing, following that entity's automatic merger with BMW Leasing GmbH and the subsequent

merger of that entity with BMW Bank GmbH, Munich, with retrospective effect from 1 January 2011. In addition, shares in SGL Carbon SE, Wiesbaden, were purchased during the financial year 2011 at an acquisition cost of €464 million. Since there was no objective evidence of a lasting loss in value, the carrying amount of the investment was not written down to its lower market value (€420 million) at the end of the reporting period.

3 – Inventories

in € million	31.12.2011	31.12.2010
Raw materials and supplies	548	482
Work in progress, unbilled contracts	290	224
Finished goods and goods for resale	2,773	2,390
Leased products	144	163
	3,755	3,259

4 – Receivables and other assets

in € million	31.12.2011	31.12.2010
Trade receivables	729	667
Receivables from subsidiaries	5,827	6,448
Other receivables and other assets		
— Receivables from other companies in which an investment is held	366	243
— Other assets	1,113	879
— thereof due later than one year €217 million (2010: €235 million)		
	1,479	1,122
	8,035	8,237

Receivables from subsidiaries relate to trade and financing receivables.

Unless stated otherwise, receivables and other assets are due within one year.

Other assets include mainly tax receivables.

5 – Marketable securities

Marketable securities comprise mainly money market funds and 100 % of the shares in a special investment

fund. No restrictions are attached to the daily redemption of the special investment fund.

The following table shows the acquisition cost and fair value of the different classes of items included in the special investment fund at 31 December 2011:

in € million	Acquisition cost		Fair value	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Fixed-income securities	1,818	1,139	1,799	1,132
Derivative instruments	-	-	-	-
Other marketable securities	2	7	2	7
Receivables and payables	35	10	35	10
Cash and cash equivalents	19	10	19	10
	1,874	1,166	1,855	1,159

The acquisition cost for the shares in the special investment fund totalled €1,767 million.

6 – Cash and cash equivalents

in € million	31.12.2011	31.12.2010
Cash on hand, cash at bank	2,864	1,574
— of which with affiliated companies € 19 million (2010: € 77 million)		

7 – Surplus of pension and similar plan assets over liabilities

Assets held to secure obligations relating to pensions and pre-retirement part-time work arrangements are offset against the related liabilities. The assets concerned comprise mainly holdings in investment fund assets

and a receivable resulting from a so-called “Capitalisation Transaction” (Kapitalisierungsgeschäft).

The surplus arising on the offset of assets and liabilities relating to pre-retirement part-time work arrangements can be analysed as follows:

in € million	31.12.2011	31.12.2010
Acquisition cost of assets held to cover obligations relating to pre-retirement part-time work arrangements	336	272
Fair value of assets held to cover obligations relating to pre-retirement part-time work arrangements	359	307
Obligations relating to pre-retirement part-time work arrangements	322	251
Surplus arising on offset of assets and liabilities	37	56

A reconciliation of the surplus (€6 million) arising on the offset of assets and liabilities relating to pension obligations is shown in note 11. In total, the surplus

arising on the offset of assets and liabilities amounted to €43 million.

8 – Subscribed capital and capital reserves

in € million	31.12.2011	31.12.2010
Subscribed capital	655	655
Capital reserves	2,035	2,019

BMW AG’s issued share capital of €655 million comprises 601,995,196 shares of common stock, each with a par value of €1, and 53,571,372 shares of non-voting preferred

stock, each with a par value of €1. Preferred stock bears an additional dividend of €0.02 per share. All of the Company’s stock is issued to bearer.

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408,140 shares of preferred stock were issued to employees at a reduced price of €26.58 per share in conjunction with an employee share scheme. These shares are entitled to receive dividends with effect from the financial year 2012. 180 shares of preferred stock were bought back via the stock exchange in order to service the Company's employee share scheme.

The issued share capital increased by €0.4 million as a result of the issue to employees of 407,960 shares of non-voting preferred stock. The Authorised Capital of BMW AG amounted at the balance sheet date to €3.6 million. The Company is authorised to issue shares of non-voting preferred stock amounting to nominal €5.0 million prior to the end of 13 May 2014. The share premium of €15.5 million arising in 2011 was transferred to capital reserves.

9 – Revenue reserves

in € million	31.12.2011	31.12.2010
Statutory reserves	1	1
Other revenue reserves		
— Balance brought forward	3,561	2,500
— Transfer from net profit	462	654
— Transfer in conjunction with first-time application of BilMoG	-	407
	4,023	3,561
	4,024	3,562

Revenue reserves contain a total amount of €362 million which cannot be distributed, resulting from the measurement of certain assets at their fair value.

10 – 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 2011, there were 677,509 registered profit-sharing certificates (2010: 688,000 certificates).

11 – Provisions

in € million	31.12.2011	31.12.2010
Pension provisions	84	24
Tax provisions	1,467	847
Other provisions	6,184	5,766
	7,735	6,637

The measurement of pension obligations is based, as in previous years, on the assumptions set out in the bio-

metric tables of Prof. Dr. Klaus Heubeck (2005 G). In addition, the following assumptions are applied:

in %	31.12.2011	31.12.2010
Discount rate	5.14	5.15
Future salary increases	3.35	3.25
Future pension increases	2.35	2.25

The discount rate used to discount pension obligations corresponds to the average market interest rate for the past seven financial years for an assumed maturity term

of 15 years, as calculated and published by the Deutsche Bundesbank.

The provision for pensions can be analysed as follows:

in € million	31.12.2011	31.12.2010
Acquisition cost of assets held to cover pension obligations	4,807	4,710
Fair value of assets held to cover pension obligations	5,146	5,177
Present value of defined benefit obligations	5,224	4,916
Provision for pensions	84	24
Surplus of pension and similar plan assets over liabilities	6	285

BMW AG provides pension benefits to its employees in various forms. The majority of current employees participate in a pension plan, the benefits of which are based on the relevant final salary of the employee. The amount by which pension plan assets exceed obligations is presented in the balance sheet line "Surplus of pension and similar plan assets over liabilities".

pension obligations, the effect of the change in the discount rate applied as well as income and expenses resulting from the measurement of assets offset against liabilities are reported as part of the financial result. All other components of pension expense are included in the relevant income statement under costs by function.

Rules are also in place for a pension plan covered by trust assets, in which benefits are predominantly dependent on the contributions made by the Company, investment income earned and a guarantee minimum rate of interest.

Other provisions include obligations for warranties and personnel-related expenses as well as provisions for service contract obligations, other sales-related items, litigation and liability risks, currency and commodity transactions.

BMW AG also gives employees the opportunity to participate in a voluntary remuneration conversion plan.

Further items includes are provisions for dealer bonuses, ancillary tax-related expenses, pending losses on onerous contracts, manufacturer's liability and the collection and recycling of end-of-life vehicles.

The expense related to the reversal of the discounting of

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12 – Liabilities

31 December in € million	2011	2011 Remaining term of up to one year	2011 Remaining term of more than five years	2010
Liabilities to banks	911	103	-	512
Trade payables	2,940	2,939	-	2,384
Liabilities to subsidiaries	6,923	6,923	-	7,366
Payables to entities in which a participation is held	25	25	-	4
Other liabilities				
— Advance payments received on orders	22	22	-	20
— Liabilities to BMW Unterstützungsverein e.V.	4	-	4	4
— Sundry other liabilities	690	690	-	294
— thereof for social security	(40)	(40)	(-)	(42)
	<u>716</u>	<u>712</u>	<u>4</u>	<u>318</u>
	<u>11,515</u>	<u>10,702</u>	<u>4</u>	<u>10,584</u>

Liabilities to subsidiaries comprise trade and financing liabilities.

Contingent liabilities

in € million	31.12.2011	31.12.2010
Guarantees for bonds issued by		
— BMW Finance N.V., The Hague	17,651	15,311
— BMW US Capital, LLC, Wilmington, DE	4,592	5,444
— BMW Australia Finance Ltd., Melbourne, Victoria	1,409	1,731
— BMW (UK) Capital plc, Bracknell	1,298	1,978
— BMW Japan Finance Corp., Tokyo	342	398
Guarantees for bonds and notes issued by		
— BMW Finance N.V., The Hague	5,762	4,750
— BMW US Capital, LLC, Wilmington, DE	1,806	2,448
— BMW Canada Inc., Whitby	1,003	601
— BMW Malta Finance Ltd., St. Julians	722	505
— BMW Japan Finance Corp., Tokyo	479	442
— BMW Financial Services (South Africa) (Pty) Ltd., Pretoria	143	282
Guarantees on behalf of		
— BMW Finance N.V., The Hague	1,300	1,700
— BMW Canada Inc., Whitby	107	142
— BMW (UK) Capital plc, Bracknell	72	548
Other	1,053	999
— of which to subsidiaries €932 million (2010: €875 million)		
Guarantees	<u>37,739</u>	<u>37,279</u>

Based on the information available to BMW AG at the date of the preparation of the financial statements regarding the financial condition of the principal debtors,

BMW AG considers that the obligations underlying the contingent liabilities shown above can be fulfilled by the relevant principal debtors. BMW AG therefore considers

it unlikely that it will be called upon in conjunction with these contingent liabilities.

BMW AG, Munich, is liable for the full extent and amount of customer deposits taken in by the subsidiary, BMW Bank GmbH, Munich, instead of the Deposit Protection Fund of the Association of German Banks (Einlagen-

sicherungsfonds des Bundesverbands deutscher Banken e.V.), of which BMW Bank GmbH is a member. The maximum liability per customer is capped at 30 % of the relevant equity of BMW Bank GmbH.

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

Other financial obligations and off-balance-sheet transactions

The present value of commitments under rental and lease agreements amounts to €2,044 million, analysed by due date as follows:

in € million	31.12.2011
2012	717
2013–2016	586
later than 2016	741

Of these amounts, €1,076 million relate to subsidiaries.

Purchase commitments for capital expenditure totalled €1,335 million.

As part of BMW AG's refinancing activities, some receivables have been sold to other BMW Group entities and sale-and-lease-back transactions entered into in previous years. No significant risks and rewards remain with BMW AG in conjunction with these transactions.

Related party transactions

Transactions with related entities are all conducted on an arm's length basis.

Derivative financial instruments

in € million	Nominal volume		Net fair values	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Currency-related contracts				
Forward currency contracts	17,566	15,247	-142	-21
thereof positive market values			410	428
thereof negative market values			-552	-449
Currency options	8,075	350	79	25
thereof positive market values			152	25
thereof negative market values			-73	-
Cross currency swaps	222	-	-7	-
thereof positive market values			1	-
thereof negative market values			-8	-
	25,863	15,597	-70	4
Interest rate-related instruments				
Interest swaps	102	50	-1	-
thereof negative market values			-1	-
Purchasing-related instruments				
Commodities	2,892	1,198	-86	583
thereof positive market values			158	584
thereof negative market values			-244	-1

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Provisions of €288 million (2010: €45 million) were recognised to cover negative market values. €174 million of option fees of incurred in conjunction with currency option contracts are included in "Other assets" and €100 million of option fees are included in "Other liabilities".

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 for currency and interest-related transactions 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.

Options are measured on the basis of quoted prices or option price models using appropriate market data.

The fair values of commodity hedging contracts are determined on the basis of current reference prices as adjusted for forward premium and discount amounts. 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.

In the latter case, amounts were discounted at 31 December 2011 on the basis of the following interest rates:

	EUR	USD	GBP	JPY
in %				
Interest rate for six months	0.85	0.37	0.79	0.23
Interest rate for one year	0.78	0.45	0.77	0.31
Interest rate for five years	1.75	1.23	1.57	0.46
Interest rate for ten years	2.45	2.06	2.35	1.00

Valuation units

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.

transaction are accounted for as a valuation unit. Valuation units are also created for back-to-back derivative financial instruments entered into with subsidiaries and banks. The so-called "Valuation Freeze Method (Einfrierungsmethode) has been applied.

Where there is a direct hedging relationship, the derivative financial instrument and the hedged item/forecast

in € million	Volume hedged		Amount of risk hedged	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Currency risk hedges				
— Assets	217	1,622	8	18
— Liabilities	516	153	-	2
— Executory contracts	332	379	372	383
Interest rate hedges				
— Assets	102	50	1	-
Commodity hedges				
— Forecast transactions	1,911	924	192	1

The amounts disclosed for volumes hedged refer to the carrying amounts of hedged assets and liabilities, the fair value of hedged executory contracts and the nominal amount of forecast transactions. The figures disclosed for the amount of risk hedged refer to the non-recognition of a provision for onerous contracts with negative fair values.

Since the principal features of the transactions included in a valuation unit are matched, changes in fair values or cash flows generally cancel each other. Hedging is in

place for the whole term of the hedged item. Effectiveness is ensured by the use of a critical term match.

Transactions forecast with a high degree of probability relate to future raw material purchases. Changes in prices of these raw materials have an impact on manufacturing costs of BMW AG. As part of the Company's raw material management procedures, hedging strategies are therefore developed on the basis of forecast purchasing volumes.

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Notes to the Income Statement**13 – Revenues**

in € million	2011	2010
Automobiles	46,681	38,680
Motorcycles	1,008	875
Other revenues	7,318	6,218
	55,007	45,773
Germany	12,494	10,653
United Kingdom	4,061	3,543
Rest of Europe	12,766	11,217
North America	10,903	8,894
Asia	12,042	8,978
Other markets	2,741	2,488
	55,007	45,773

14 – Other operating income

Other operating income totalling €2,113 million in 2011 (2010: €1,621 million) comprise mainly realised exchange gains, income from the reversal of provisions and amounts recharged to group companies. Other operating income

relating to prior periods amounted to €494 million. Gains resulting from measurement of foreign currency items using closing exchange rates totalled €63 million (2010: €7 million).

15 – Other operating expenses

Other operating expenses in 2011 amounted to €1,443 million (2010: €1,054 million) and comprise mainly realised exchange losses as well as expenses for allocations to provisions and commission expenses relating

to intragroup financing. Measurement of foreign currency items using closing exchange rates gave rise to exchange losses totalling €37 million (2010: €15 million) in 2011.

16 – Result on investments

in € million	2011	2010
Income from profit and loss transfer agreements	212	193
Expense of assuming losses under profit and loss transfer agreements	31	41
	181	152

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17 – Financial result

in € million	2011	2010
Other interest and similar income	273	207
— thereof from subsidiaries €126 million (2010: €93 million)		
Interest and similar expenses	938	572
— thereof to subsidiaries €243 million (2010: €113 million)		
— thereof financing expense for pension and long-term personnel expense-related provisions €416 million (2010: €66 million)		
— thereof expense from reversal of discounting on liabilities and other provisions €113 million (2010: €147 million)		
	-665	-365

The financing expense for pension and long-term personnel expense-related provisions relates to the net expense after offsetting income and expenses arising in conjunction with fund assets:

in € million	2011	2010
Expenses from offsetting fund assets	139	-
Income from offsetting fund assets	-	275
Expense arising on reversal of discounting pension and long-term personnel expense-related provisions	277	341
Financing expense for pension and long-term personnel provisions	416	66

18 – Extraordinary income and expenses

Extraordinary income results from the merger of BMW

Maschinenfabrik Spandau GmbH, Berlin, with BMW AG, München.

19 – Income taxes

The expense for income taxes relates to current tax for the year under report, allocations to provisions for the

tax field audit and transfer pricing risks for 2011 and prior years.

20 – Transfer to revenue reserves

An amount of €462 million was transferred from net profit for the year to other revenue reserves.

Cost of materials

in € million	2011	2010
Purchased raw materials and goods for resale	38,385	32,222
Purchased services	939	653
	39,324	32,875

Personnel expense

in € million	2011	2010
Wages and salaries	4,923	4,631
Social security, pension and welfare costs	835	797
— thereof pension costs: €157 million (2010: €74 million)		
	5,758	5,428
Average workforce during the year	2011	2010
Head office and Munich plant	26,695	25,986
Dingolfing plant	17,675	17,753
Regensburg plant	8,319	8,257
Landshut plant	2,907	2,876
Leipzig plant	2,609	2,614
Berlin plant	2,473	2,470
Branches	5,360	5,277
	66,038	65,233
Apprentices and students gaining work experience	4,922	4,693
	70,960	69,926

Fee expense

The total fee of the external auditor is disclosed in the notes to the Group Financial Statements.

BMW AG

Notes to the Financial Statements

Analysis of Changes in Tangible, Intangible and Investment Assets in 2011

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in € million	Acquisition or manufacturing cost					— 31.12.2011
	1.1.2011	Merger- related additions*	Other additions	Reclassifi- cations	Disposals	
Intangible assets	305	-	78	-	-	383
Land, titles to land, buildings, including buildings on third party land	4,400	57	54	42	81	4,472
Plant and machinery	17,774	6	1,242	367	450	18,939
Other facilities, factory and office equipment	1,214	2	117	21	125	1,229
Advance payments made and construction in progress	507	-	541	-430	5	613
Property, plant and equipment	23,895	65	1,954	-	661	25,253
Investments in subsidiaries	1,872	-	644	-	161	2,355
Participations	7	-	465	-	-	472
Other non-current loans receivable	1	-	-	-	-	1
Investments	1,880	-	1,109	-	161	2,828
Tangible, intangible and investment assets	26,080	65	3,141	-	822	28,464

* Merger of BMW Maschinenfabrik Spandau GmbH, Berlin

1.1.2011	Depreciation and amortisation			31.12.2011	Carrying amount		
	Merger-related additions	Current year	Disposals		31.12.2011	31.12.2010	
164	-	58	-	222	161	141	Intangible assets
2,065	32	117	78	2,136	2,336	2,335	Land, titles to land, buildings, including buildings on third party land
14,553	4	1,324	421	15,460	3,479	3,221	Plant and machinery
1,020	2	79	123	978	251	194	Other facilities, factory and office equipment
-	-	-	-	-	613	507	Advance payments made and construction in progress
17,638	38	1,520	622	18,574	6,679	6,257	Property, plant and equipment
-	-	-	-	-	2,355	1,872	Investments in subsidiaries
4	-	-	-	4	468	3	Participations
1	-	-	-	1	-	-	Other non-current loans receivable
5	-	-	-	5	2,823	1,875	Investments
17,807	38	1,578	622	18,801	9,663	8,273	Tangible, intangible and investment assets

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Principal subsidiaries of BMW AG at 31 December 2011	Equity in € million	Net result in € million	Capital investment in %
Domestic ¹			
BMW INTEC Beteiligungs GmbH, Munich ³	3,558	-	100
BMW Bank GmbH, Munich ³	1,657	-	100
BMW Finanz Verwaltungs GmbH, Munich	297	85	100
BMW Hams Hall Motoren GmbH, Munich ⁴	15	-	100
BMW Fahrzeugtechnik GmbH, Eisenach ³	11	-	100
Rolls-Royce Motor Cars GmbH, Munich ⁴	1	-	100
BMW M GmbH Gesellschaft für individuelle Automobile, Munich ³	- ⁵	-	100

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

² In the case of foreign subsidiaries, based on financial statements drawn up in accordance with IFRSs.

Equity and net result are translated at the closing exchange rate.

³ Profit and Loss Transfer Agreement with BMW AG

⁴ Profit and Loss Transfer Agreement with a subsidiary of BMW AG

⁵ below €500,000

**Principal subsidiaries of BMW AG
at 31 December 2011**

	Equity in € million	Net result in € million	Capital investment in %
Foreign²			
BMW Österreich Holding GmbH, Steyr	1,681	1,047	100
BMW China Automotive Trading Ltd., Beijing	1,416	1,394	100
BMW Motoren GmbH, Steyr	848	178	100
BMW Russland Trading OOO, Moscow	246	137	100
BMW Austria Gesellschaft m.b.H., Salzburg	56	-7	100
BMW Vertriebs GmbH, Salzburg	88	17	100
BMW Holding B.V., The Hague	7,185	1,113	100
BMW (South Africa) (Pty) Ltd., Pretoria	671	141	100
BMW Finance N.V., The Hague	377	39	100
BMW (Schweiz) AG, Dielsdorf	274	16	100
BMW Japan Corp., Tokyo	150	13	100
— BMW Japan Finance Corp., Tokyo	367	49	100
BMW Italia S.p.A., Milan	347	-7	100
BMW Australia Finance Ltd., Melbourne, Victoria	261	49	100
BMW Belgium Luxembourg S.A./N.V., Bornem	236	20	100
BMW Canada Inc., Whitby	121	88	100
BMW France S.A., Montigny-le-Bretonneux	145	19	100
BMW Sverige AB, Stockholm	46	16	100
BMW Korea Co., Ltd., Seoul	72	32	100
BMW Portugal Lda., Lisbon	34	-10	100
BMW Automotive (Ireland) Ltd., Dublin	22	3	100
BMW Nederland B.V., The Hague	-3	10	100
BMW Australia Ltd., Melbourne, Victoria	-95	24	100
BMW India Private Ltd., New Delhi	76	12	100
BMW (UK) Holdings Ltd., Bracknell	444	-49	100
BMW (UK) Manufacturing Ltd., Bracknell	1,182	114	100
BMW (UK) Ltd., Bracknell	724	32	100
BMW Financial Services (GB) Ltd., Hook	481	128	100
BMW (UK) Capital plc, Bracknell	252	27	100
BMW Malta Ltd., St. Julians	1,102	104	100
— BMW Malta Finance Ltd., St. Julians	922	59	100
— BMW Coordination Center V.o.F., Bornem	592	10	100
BMW España Finance S.L., Madrid	490	1	100
— BMW Ibérica S.A., Madrid	335	30	100
— BMW de Mexico, S.A. de C.V., Mexico City	4	-5	100
BMW do Brasil Ltda., São Paulo	127	48	100
BMW (US) Holding Corporation, Wilmington, DE	1,531	228	100
BMW Manufacturing, LLC, Wilmington, DE	770	114	100
BMW of North America, LLC, Wilmington, DE	58	66	100
BMW US Capital, LLC, Wilmington, DE	307	-11	100
Financial Service Vehicle Trust, Wilmington, DE	216	108	100
BMW Insurance Agency, Inc., Wilmington, DE	3	1	100
BMW Bank of North America, Inc., Salt Lake City, UT	770	186	100
BMW Financial Services NA, LLC, Wilmington, DE	922	408	100

Investments in large-sized corporations, in which BMW AG holds more than 5% of the voting rights (to the extent not included above)

SGL Carbon SE, Wiesbaden

BMW AG

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Members of the Board of Management

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Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer (born 1956)
Chairman

Mandates

- Henkel AG & Co. KGaA (since 11. 04. 2011)

Frank-Peter Arndt (born 1956)

Production

Mandates

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

Dr.-Ing. Herbert Diess (born 1958)

Purchasing and Supplier Network

Dr.-Ing. Klaus Draeger (born 1956)

Development

Dr. Friedrich Eichiner (born 1955)

Finance

Mandates

- Allianz Deutschland AG
- BMW Brilliance Automotive Ltd. (Deputy Chairman)

Harald Krüger (born 1965)

Human Resources, Industrial Relations Director

Dr. Ian Robertson (HonDSc) (born 1958)

Sales and Marketing

Mandates

- Rolls-Royce Motor Cars Limited (Chairman)

General Counsel:

Dr. Dieter Löchelt

— Membership of other statutory supervisory boards

— Membership of equivalent national or foreign boards of business enterprises

BMW AG

Notes to the Financial Statements
Members of the Supervisory Board

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

Joachim Milberg (born 1943)

Chairman

Former Chairman of the Board of
Management of BMW AG

Chairman of the Presiding Board, Personnel Committee
and Nomination Committee; member of Audit Committee
and the Mediation Committee

Mandates

- Bertelsmann AG (Deputy Chairman since 07.06.2011)
- FESTO AG (Chairman since 26.03.2011)
- SAP AG
- ZF Friedrichshafen AG (until 31.12.2011)
- Deere & Company

Manfred Schoch¹ (born 1955)

Deputy Chairman

Chairman of the European and
General Works Council
Industrial Engineer

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

Stefan Quandt (born 1966)

Deputy Chairman

Entrepreneur

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

Mandates

- DELTON AG (Chairman)
- Karlsruher Institut für Technologie (KIT) (until 30.09.2011)
- AQTON SE (Chairman)
- DataCard Corp.

Stefan Schmid¹ (born 1965)

Deputy Chairman

Chairman of the Works Council, Dingolfing

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

Dr. jur. Karl-Ludwig Kley (born 1951)

Deputy Chairman

Chairman of the Executive Management of
Merck KGaA

Chairman of the Audit Committee and Independent
Finance Expert; member of the Presiding Board,
Personnel Committee and Nomination Committee

Mandates

- Bertelsmann AG
- 1. FC Köln GmbH & Co. KGaA (Chairman)

Bertin Eichler² (born 1952)

Executive Member of the

Executive Board of IG Metall

Mandates

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

¹Employee representatives (company employees).

²Employee representatives (union representatives).

— Membership of other statutory supervisory boards

— Membership of equivalent national or foreign boards of business enterprises

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Franz Haniel (born 1955)
Engineer, MBA

Mandates

- DELTON AG (Deputy Chairman)
- Franz Haniel & Cie. GmbH (Chairman)
- Heraeus Holding GmbH
- Metro AG (Chairman) (since 18. 11. 2011)
- secunet Security Networks AG
- Giesecke & Devrient GmbH
- TBG Limited

Prof. Dr. rer. nat. Dr. h. c. Reinhard Hüttl (born 1957)
Chairman of the Executive Board of
Helmholtz-Zentrum Potsdam Deutsches
GeoForschungsZentrum – GFZ
University professor

**Prof. Dr. rer. nat. Dr.-Ing. E. h.
Henning Kagermann** (born 1947)
President of acatech – Deutsche Akademie der
Technikwissenschaften e. V.

Mandates

- Deutsche Bank AG
- Deutsche Post AG
- Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München
- Nokia Corporation
- Wipro Limited

Susanne Klatten (born 1962)
Entrepreneur

Mandates

- ALTANA AG (Deputy Chairman)
- SGL Carbon SE
- UnternehmerTUM GmbH (Chairman)

Prof. Dr. rer. pol. Renate Köcher (born 1952)
Director of Institut für Demoskopie Allensbach
Gesellschaft zum Studium der öffentlichen
Meinung mbH

Mandates

- Allianz SE
- Infineon Technologies AG
- MAN SE (until 27. 06. 2011)

Dr. h. c. Robert W. Lane (born 1949)
Former Chairman and Chief Executive Officer of
Deere & Company

Mandates

- General Electric Company
- Northern Trust Corporation
- Verizon Communications Inc.

Horst Lischka² (born 1963)
General Representative of IG Metall Munich

Mandates

- KraussMaffei AG
- MAN Truck & Bus AG

Willibald Löw¹ (born 1956)
Chairman of the Works Council, Landshut

¹Employee representatives (company employees).

²Employee representatives (union representatives).

³Employee representative (member of senior management).

— Membership of other statutory supervisory boards

— Membership of equivalent national or foreign boards of business enterprises

Wolfgang Mayrhuber (born 1947)

Former Chairman of the Board of Management of
Deutsche Lufthansa AG

Mandates

- Infineon Technologies AG (Chairman) (since 17.02.2011)
- Lufthansa Technik AG
- Münchener Rückversicherungs-Gesellschaft
Aktiengesellschaft in München
- Austrian Airlines AG
- HEICO Corporation
- SN Airholding SA/NV (until 26.10.2011)
- UBS AG

Franz Oberländer¹ (born 1952)

Member of the Works Council, Munich

Anton Ruf³ (born 1953)

Head of Development “Small Model Series”

Maria Schmidt¹ (born 1954)

Member of the Works Council, Dingolfing

Jürgen Wechsler² (born 1955)

(since 10.02.2011)

Regional Head of IG Metall Bavaria

Mandates

- Schaeffler AG (Deputy Chairman)

Werner Zierer¹ (born 1959)

Chairman of the Works Council, Regensburg

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Other Disclosures

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Notifications pursuant to § 25 (1) WpHG (Securities Trading 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 WpHG (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 WpHG.”
- “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 WpHG (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 WpHG (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 WpHG.”
- “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 WpHG (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 WpHG (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 WpHG.”
- “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 WpHG (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) WpHG (Securities Trading Act) on 17 December 2008:

- “AQTON SE (sole shareholder Stefan Quandt) with its seat in Munich, Federal Republic of Germany, has notified us in accordance with § 21 (1) WpHG that its voting rights in Bayerische Motoren Werke Aktiengesellschaft exceeded the thresholds of 3%, 5%, 10% and 15% on 12 December 2008 and amounted to 17.44% (104,979,435 voting rights) on this day. These voting rights are attributable to AQTON SE pursuant to § 22 (1) sentence 1 no. 1 WpHG. The voting rights attributable to AQTON SE are held through the following companies which are controlled by AQTON SE and the voting rights of which in Bayerische Motoren Werke Aktiengesellschaft amount to 3% or more in each case:
 - Stefan Quandt GmbH & Co. KG für Automobilwerte
 - Stefan Quandt Verwaltungs GmbH.”

Notifications pursuant to § 26 (1) WpHG (Securities Trading Act) on 22 December 2008:

- “Johanna Quandt GmbH with its seat in Bad Homburg v. d. Höhe, Germany, has notified us in accordance with § 41 (2) sentence 1 WpHG, that it held 15.38% of the voting rights in Bayerische Motoren Werke Aktiengesellschaft on 1 April 2002. These voting rights are attributable to it pursuant to § 22 (1) sentence 1 no. 1 WpHG through Johanna Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe.”
- “Susanne Klatten GmbH with its seat in Bad Homburg v. d. Höhe, Germany, has notified us in accordance with § 41 (2) sentence 1 WpHG, that it held 11.55% of the voting rights of Bayerische Motoren Werke Aktiengesellschaft on 1 April 2002. These voting rights are attributable to it pursuant to § 22 (1) sentence 1 no. 1 WpHG through Susanne Klatten GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe.”
- “Stefan Quandt Verwaltungs GmbH with its seat in Bad Homburg v. d. Höhe, Germany, has notified us in accordance with § 41 (2) sentence 1 WpHG, that it (previously operating under the name: Stefan Quandt GmbH) held 15.13% of the voting rights in Bayerische Motoren Werke Aktiengesellschaft on 1 April 2002. These voting rights are attributable to it pursuant to § 22 (1) sentence 1 no. 1 WpHG through Stefan Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe.”

Notification pursuant to § 26 (1) WpHG (Securities Trading Act) on 15 January 2009:

- “Susanne Klatten Beteiligungs GmbH (until 22 December 2008 operating under the name of DataCard Three GmbH) with its seat in Bad Homburg v. d. Höhe, Germany, has informed us by way of an amended and restated voluntary notification in accordance with § 21 (1) WpHG, that its voting rights in Bayerische Motoren Werke Aktiengesellschaft, after the change of its company name on 22 December 2008, exceeded as before 3 %, 5 % and 10 % and amounted to 12.55 % (75,562,421 voting rights) on 22 December 2008. All these voting rights are attributable to Susanne Klatten Beteiligungs GmbH through Susanne Klatten GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe, Germany, and Susanne Klatten GmbH, Bad Homburg v. d. Höhe, Germany, according to § 22 (1.1) no. 1 WpHG. Reference is made to the notification of voting rights of DataCard Three GmbH dated 17 December 2008.”

Veröffentlichung gemäß § 26 Absatz 1 Satz 1 WpHG am 30. Mai 2011:

- “BlackRock, Inc., with its seat in New York, U.S.A., has informed us in accordance with § 21 Section 1 WpHG (Securities Trading Act) that its voting rights in Bayerische Motoren Werke Aktiengesellschaft have exceeded the threshold of 3 % of the voting rights on 20 May 2011 and amounted to 3.05 % (18,382,836 voting rights). 3.05 % (18,382,836 voting rights) were attributable to BlackRock, Inc. pursuant to § 22 Section 1 sentence 1 n°6 in connection with sentence 2 WpHG (Securities Trading 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. The voting rights stated above are based on mandatory notifications pursuant to §§ 21ff. WpHG; voluntary notifications at 31 December 2011 are disclosed in the Management Report.

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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 reproduced in the Annual Report 2011 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

For financial years beginning after 1 January 2011, BMW AG has added a share-based remuneration component to the existing compensation system for Board of Management members.

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 2011 amounts to €27.3 million (2010: €18.2 million). This comprised fixed components of €4.7 million (2010: €3.7 million), variable components of €21.9 million (2010: €14.5 million) and a share-based compensation component totalling €0.7 million (2010: €– million).

The grant of the share-based remuneration component related to 11,945 shares of BMW AG common stock and a corresponding cash-based settlement, measured at the relevant market shares price prevailing on the date the contract for the share-based compensation programme was signed.

In addition, an expense of €1.0 million (2010: €0.9 million) has been granted to current members of the Board of Management for the period after the end of their employment relationship. This relates to the expense for allocations to pension provisions (service costs). Provisions for pension obligations to current members of the Board of Management stood at €17.6 million (2010: €16.1 million).

The remuneration of former members of the Board of Management and their surviving dependants amounted to €3.7 million (2010: €3.7 million).

Pension obligations to former members of the Board of Management and their dependants are fully covered by pension provisions amounting to €49.6 million (2010: €47.7 million).

The present value of pension obligations for the purposes of the Company Financial Statements is measured on the basis of an actuarial report using an interest rate of 5.14 %, compared to an interest rate of 4.75 % used in the Group Financial Statements.

The compensation of the members of the Supervisory Board for the financial year 2011 amounted to €4.5 million (2010: €3.1 million). This comprised fixed components of €1.6 million (2010: €1.6 million) and variable components of €2.9 million (2010: €1.5 million).

The compensation systems for members of the Supervisory Board do not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components. Apart from vehicle lease contracts entered into on customary market conditions, no advances and loans were granted by the Company to members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Further details about the remuneration system of current members of the Board of Management and of the Supervisory Board can be found in the Compensation Report included in the BMW Group Annual Report 2011. The Compensation Report is part of the Combined Company and Group Management Report.

Munich, 16 February 2012

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer

Frank-Peter Arndt

Dr.-Ing. Herbert Diess

Dr.-Ing. Klaus Draeger

Dr. Friedrich Eichiner

Harald Krüger

Dr. Ian Robertson (HonDSc)

BMW AG

Responsibility Statement by the Company's Legal Representatives

**Responsibility Statement of the Legal Representatives
of the Company pursuant to § 264 (2) sentence 3 and
§ 289 (1) sentence 5 HGB**

"To the best of our knowledge, and in accordance with the applicable reporting principles, we confirm that the annual financial statements of Bayerische Motoren Werke Aktiengesellschaft give a true and fair view of the assets, liabilities, financial position and profit of the Company, 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 the Company."

Munich, 16 February 2012

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer

Frank-Peter Arndt

Dr.-Ing. Herbert Diess

Dr.-Ing. Klaus Draeger

Dr. Friedrich Eichiner

Harald Krüger

Dr. Ian Robertson (HonDSc)

BMW AG

Auditor's Report (Translation)

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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 for the business year from 1 January to 31 December 2011. 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, 22 February 2012

KPMG AG

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Schindler
Wirtschaftsprüfer

Huber-Straßer
Wirtschaftsprüferin

BMW AG

Ten-year Comparison

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	2011	2010	2009	2008
Revenues ————— € million	55,007	45,773	37,980	44,313
— Change ————— %	20.2	20.5	14.3	8.3
— Export ratio ————— %	77.3	76.7	73.8	75.6
Production				
— Automobiles ————— units	1,783,160	1,481,253	1,258,417	1,439,918
— Motorcycles ¹ ————— units	110,360	99,236	82,631	104,220
Sales volume				
— Automobiles ————— units	1,723,637	1,460,923	1,231,893	1,446,055
— Motorcycles ¹ ————— units	110,145	97,586	86,451	103,077
Capital expenditure ————— € million	2,032	1,582	1,667	2,064
Depreciation and amortisation ————— € million	1,578	1,540	1,505	1,569
Workforce at the end of year ² —————	71,630	69,518	70,223	71,596
Tangible, intangible and investment assets ³ ————— € million	9,663	8,273	6,984	6,643
Current assets, prepayments and surplus of pension and similar plan assets over liabilities ————— € million	17,845	16,073	17,663	16,673
Subscribed capital ————— € million	655	655	655	654
Reserves ————— € million	6,059	5,581	4,502	4,487
Equity ————— € million	8,222	7,088	5,354	5,338
— as % of tangible, intangible and investment assets ————— %	85.1	85.7	76.7	80.4
Balance sheet total ————— € million	27,508	24,346	24,647	23,316
Cost of materials ————— € million	39,324	32,875	28,300	34,044
Personnel costs ² ————— € million	5,758	5,428	5,850	5,125
Taxes ————— € million	2,096	1,106	403	11
Net profit ————— € million	1,970	1,506	202	384
Dividend ————— € million	1,508⁴	852	197	197
— per share of common stock ————— €	2.30⁴	1.30	0.30	0.30
— per share of preferred stock ————— €	2.32⁴	1.32	0.32	0.32

¹ Until 2002 including C1 production; from 2006 up to 2008 including BMW G 650 X assembly by Piaggio S. p. A.

² From 2009 onward including personnel seconded from other group entities

³ From 2010 onward including property, plant and equipment transferred in conjunction with the merger of BMW Ingenieur-Zentrum GmbH + Co oHG, Dingolfing; from 2011 onward including property, plant and equipment transferred in conjunction with the merger of BMW Maschinenfabrik Spandau GmbH, Berlin

⁴ Proposed by the Board of Management

⁵ Before buy-back of treasury shares

2007	2006	2005	2004	2003	2002	
48,310	42,417	41,801	40,597	36,881	35,315	Revenues
13.9	1.5	3.0	10.1	4.4	17.7	Change
76.1	74.3	73.0	72.5	72.8	72.3	Export ratio
Production						
1,541,503	1,366,838	1,323,119	1,250,345	1,118,940	1,090,258	Automobiles
104,396	103,759	92,012	93,836	89,745	97,553	Motorcycles ¹
Sales volume						
1,551,490	1,358,119	1,334,426	1,241,659	1,117,267	1,082,735	Automobiles
104,076	102,786	95,343	91,797	93,625	102,418	Motorcycles ¹
1,670	1,324	1,472	2,321	2,293	2,140	Capital expenditure
1,791	1,765	1,770	1,535	1,322	1,222	Depreciation and amortisation
76,064	76,156	76,536	77,252	75,969	73,283	Workforce at the end of year ²
9,909	10,171	10,577	10,893	11,386	10,469	Tangible, intangible and investment assets
12,707	10,874	9,225	8,910	8,096	6,385	Current assets, prepayments and surplus of pension and similar plan assets over liabilities
654	654	661	674	674	674	Subscribed capital
4,300	3,809	4,023	4,516	4,188	4,171	Reserves
5,648	4,921	5,108	5,609	5,254	5,196	Equity
57.0	48.4	48.3	51.5	46.1	49.6	as % of tangible, intangible and investment assets
22,616	21,045	19,802	19,803	19,482	16,854	Balance sheet total
36,638	31,867	31,010	29,501	26,190	24,857	Cost of materials
4,797	5,503	6,128	5,888	5,398	4,762	Personnel costs ²
131	75	-37	327	118	48	Taxes
1,184	485	424	747	392	615	Net profit
694	458	424 ⁵	419	392	351	Dividend
1.06	0.70	0.64	0.62	0.58	0.52	per share of common stock
1.08	0.72	0.66	0.64	0.60	0.54	per share of preferred stock

BMW AG

Financial Calendar

Annual Accounts Press Conference ————— 13 March 2012
Analyst and Investor Conference ————— 14 March 2012
Quarterly Report to 31 March 2012 ————— 3 May 2012
Annual General Meeting ————— 16 May 2012
Quarterly Report to 30 June 2012 ————— 1 August 2012
Quarterly Report to 30 September 2012 ————— 6 November 2012

Annual Report 2012 ————— 19 March 2013
Annual Accounts Press Conference ————— 19 March 2013
Analyst and Investor Conference ————— 20 March 2013
Quarterly Report to 31 March 2013 ————— 2 May 2013
Annual General Meeting ————— 14 May 2013
Quarterly Report to 30 June 2013 ————— 1 August 2013
Quarterly Report to 30 September 2013 ————— 5 November 2013

BMW AG

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