Quarterly Report
to 31 March 2008

Q1

Rolls-Royce
Motor Cars Limited

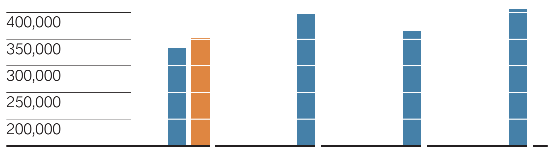
BMW Group

BMW Group in figures

		1st quarter 2008	1st quarter 2007	Change in %
Vehicle production				
Automobiles	units	405,595	382,019	6.2
Motorcycles[1]	units	28,589	35,795	–20.1
Deliveries to customers				
Automobiles	units	351,787	333,276	5.6
Motorcycles[2]	units	21,046	23,029	–8.6
Workforce at end of quarter[3]		**106,662**	**106,855**	**–0.2**
Operating cash flow	euro million	**1,105**	**1,253**	**–11.8**
Revenues	euro million	**13,285**	**11,951**	**11.2**
Profit before financial result (EBIT)	euro million	**827**	**912**	**–9.3**
Thereof:				
Automobiles	euro million	619	661	–6.4
Motorcycles	euro million	36	36	–
Financial Services	euro million	79	188	–58.0
Reconciliations	euro million	93	27	–
Profit before tax[4]	euro million	**641**	**852**	**–24.8**
Thereof:				
Automobiles	euro million	539	609	–11.5
Motorcycles	euro million	34	34	–
Financial Services	euro million	84	183	–54.1
Reconciliations	euro million	–16	26	–
Income taxes	euro million	**–154**	**–265**	**41.9**
Net profit	euro million	**487**	**587**	**–17.0**
Earnings per share[5]	euro	**0.74/0.74**	**0.90/0.90**	**–17.8/–17.8**

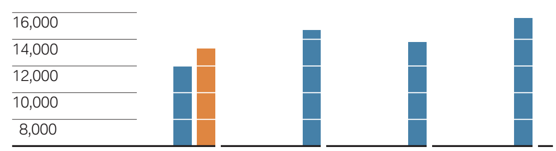
1] including BMW G 650 X assembly at Piaggio S.p.A., Noale, Italy, excluding production Husqvarna Motorcycles: 4,337 units
2] excluding sales volume Husqvarna Motorcycles: 3,894 units
3] excluding employees Husqvarna Motorcycles: 225
4] Profit before tax for the first quarter 2007 includes an exceptional gain of euro 31 million arising from the exchangeable bond on shares in Rolls-Royce plc, London.
5] for common/preferred stock in accordance with IAS 33. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

Deliveries of automobiles
in units



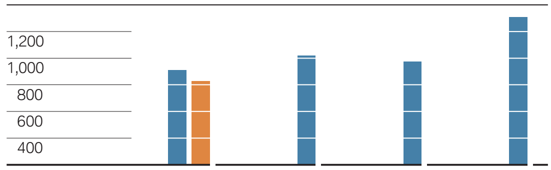
	Q1	Q2	Q3	Q4
2007	333,276	397,009	364,564	405,829
2008	351,787			

Revenues
in euro million



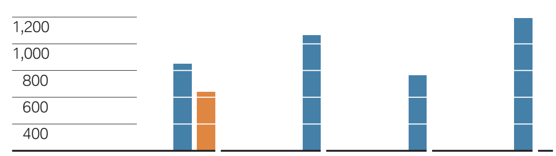
	Q1	Q2	Q3	Q4
2007	11,951	14,683	13,778	15,606
2008	13,285			

Profit before financial result
in euro million



	Q1	Q2	Q3	Q4
2007	912	1,019	973	1,308
2008	827			

Profit before tax
in euro million



	Q1	Q2	Q3	Q4
2007	852	1,065	765	1,191
2008	641			

BMW Group sales volume up on last year

As expected, the BMW Group's sales volume for the first quarter 2008 was up on the previous year. In total, 351,787 BMW, MINI and Rolls-Royce brand cars were sold worldwide during the first three months of 2008. The BMW Group has therefore achieved a new first-quarter sales volume record in the face of difficult business conditions.

In its motorcycle business, the BMW Group was unable to match the previous year's high first-quarter sales figure. 21,046 BMW motorcycles were sold during the first three months of 2008, 8.6 % fewer than one year earlier due mainly to model life-cycle factors.

The Financial Services segment was able to expand the volume of business generated in the period under report. At the end of the first quarter 2008, a total of 2,701,860 lease and financing contracts were in place with dealers and retail customers, up 15.6 % compared to one year earlier.

Reported earnings affected by external factors

Group revenues rose by 11.2 % to euro 13,285 million, reflecting the sales volume increase recorded in the first quarter 2008. The US dollar exchange rate against the euro held down the increase in revenues. Adjusted for exchange rate factors, Group revenues rose by 16.6 %.

The financial crisis, rising raw material prices and the further weakening of the US dollar all had a negative impact on first-quarter Group earnings. The profit before financial result amounted to euro 827 million, 9.3 % down on the same quarter last year. External factors also affected profit before tax. At euro 641 million, the result was 24.8 % lower than the previous year's figure. The first-quarter net profit of the BMW Group fell by 17.0 % to euro 487 million.

Workforce figure slightly lower

The BMW Group had a worldwide workforce of 106,662 employees at the end of the first quarter 2008, 0.2 % fewer than at 31 March 2007.

Further additions to model range

The BMW Group continues to expand its model range in 2008. The BMW 1 Series Convertible has been available to customers since March and the BMW M3 Convertible since April. The new BMW X6 was initially launched in the USA in mid-April and will go on sale in Europe from the end of May onwards. The MINI brand presented two new models in the first quarter 2008: the MINI John Cooper Works and the MINI John Cooper Works Clubman, both of which will be available from the summer onwards. The Rolls-Royce Phantom Coupé – as announced in autumn 2007 – will be handed over to customers for the first time in the second half of 2008.

The new model initiative in the Motorcycles segment is being continued in 2008. Model revisions of the R 1200 GS and the Adventure version became available in January, with the new F 800 GS and F 650 GS following in March. The new G 450 X will be launched in the second half of the year.

Contrasting trends on international automobile markets

The contrast between the traditional and the emerging markets remained sharp in the first quarter 2008. The triad of traditional automobile markets (USA, Japan and Western Europe) failed to generate any positive signals, whereas the car markets of emerging economies continued to grow dynamically.

The financial crisis is beginning to have an impact on private consumption in the USA, reflected in the fact that vehicle registration numbers on this market were well down in the first quarter. The economic downswing in the USA has also resulted in unfavourable conditions on the pre-owned car markets in North America. Registrations in Western Europe also fell, albeit not quite as sharply. This was mainly due to the development in Italy, where registration numbers slumped despite the fact that the scrapping premium particular to that market was retained. The Spanish and Swedish markets also contracted at double-digit rates. By contrast, the German market picked up somewhat following the slump caused in the previous year by the value added tax rate hike. Some momentum was also visible in France, Belgium, Portugal and Finland. The car market in Japan stagnated.

This picture contrasts with the emerging markets which continued to enjoy buoyant growth during the first quarter 2008. The Chinese and Russian markets expanded again very strongly, registering growth of approximately one quarter against the corresponding period last year. Nearly all of the Eastern European markets grew at double-digit rates.

Motorcycle markets continue to develop divergently

The first quarter 2008 again saw divergent developments on the motorcycle markets relevant for the BMW Group (500 cc plus). Worldwide motorcycle sales were down by 7.7 % for the first three months of 2008. In Europe, the 500 cc plus motorcycle market contracted by 5.7 % compared to the first quarter last year. While the market in France performed well (+16.3 %), those of Spain (–14.7 %), Italy (–13.4 %) and Germany (–12.1 %) all contracted. Motorcycle sales in the first quarter of the current year fell by 12.6 % in the USA and by 7.9 % in Japan.

Difficult conditions for financial services sector

The US mortgage and credit crisis has meanwhile developed into a general crisis of confidence on global financial markets. This has affected the financial services sector worldwide as a result of less favourable refinancing conditions. Payment arrears in the area of debt servicing and a larger volume of bad debts are having an adverse impact on the market for financial services, particularly in the USA.

Sales volume growth in the first quarter

The BMW Group increased its car sales volume during the first quarter 2008 by 5.6 % compared to the first three months of 2007. In total, 351,787 BMW, MINI and Rolls-Royce brand cars were handed over to customers, a new first-quarter record for the BMW Group.

A total of 293,550 BMW brand cars was sold in the first quarter, 2.6 % more than in the previous year. The MINI brand recorded strong growth with first-quarter sales of 58,054 units, 23.6 % ahead of the previous year. The Rolls-Royce brand also achieved exceptionally strong growth with 183 vehicles handed over to customers (+ 61.9 %).

Sales volume up sharply in Europe and Asia

In North America, the financial crisis and its negative accompanying effects also had an impact on the BMW Group's car sales volume. In total, 73,120 units were sold there in the first quarter, 9.4 % fewer than one year earlier. As a consequence of the economic slowdown, the sales volume generated in the USA fell by 9.1% to 68,586 units. The market for pre-owned cars also contracted as consumers became more reluctant to spend

By contrast, the BMW Group recorded a sharp increase in sales volume in Europe. First-quarter sales rose by 11.1 % to 219,328 units. In Germany, the BMW Group's largest single market in Europe, the number of cars sold, at 65,488 units, was 4.3 % ahead of the corresponding period last year. A total of 42,081 cars were handed over to customers in the United Kingdom during the first quarter 2008, a 9.0 % increase over the previous year. The BMW Group recorded particularly strong growth in France, with 16,754 units (+ 23.7 %) sold in the first three months of 2008. In Italy, the number of cars delivered rose by 9.8 % to 27,112 units and in Spain there was an increase of 7.2 % to 16,147 units.

The BMW Group was also able to achieve strong sales volume growth in Asia. With 40,489 units sold in the first three months of 2008, the growth rate in this region was 14.5 %. Growth was particularly strong on the Chinese markets (China, Hong Kong and Taiwan) where first-quarter sales rose by 39.4 % to 17,331 units. In Japan, sales volume fell by 15.4 % to 13,377 units within a difficult market environment.

BMW 1 Series and BMW X5 record strong growth

The BMW brand achieved a 2.6 % increase on last year's first-quarter sales figure, delivering 293,550 cars in the first three months of 2008 and thereby setting a new all-time high for a first quarter.

The sales volume performance for the BMW 1 Series was dominated by the launching of the Coupé in November 2007 and the Convertible in March 2008. The Group sold 49,829 BMW 1 Series cars in the first quarter 2008, 52.3 % more than in the same quarter last year.

Sales volume of the BMW 3 Series was influenced by model life-cycle factors and unable to match the high level achieved in the first quarter of the previous year. In total, 119,171 units of this series were sold (– 11.5 %). Sales of the BMW 3 Series Convertible, available since spring 2007, developed extremely well, with 14,164 vehicles handed over to customers.

51,008 units of the BMW 5 Series were sold, slightly below (– 0.5 %) the previous year's figure.

First-quarter sales of the BMW 6 Series were unable to reach the previous year's level and fell by 3.5 % to 4,335 units.

Automobiles		1st quarter 2008	1st quarter 2007	Change in %
Production	units	405,595	382,019	6.2
Deliveries to customers	units	351,787	333,276	5.6
Revenues	euro million	12,162	11,418	6.5
Profit before financial result (EBIT)	euro million	619	661	–6.4
Profit before tax	euro million	539	609	– 11.5
Workforce at end of quarter		97,753	98,592	–0.9

Now approaching the end of its product life-cycle, the sales volume of the BMW 7 Series developed as expected. 9,416 units were sold during the period from January to March 2008, down 2.8 % on the previous year.

The BMW X3 Sports Activity Vehicle was unable to achieve the high first-quarter sales volume recorded in 2007. 22,897 units of this model were sold during the quarter (– 21.7 %).

The BMW X5, which has been available worldwide since mid-2007, continued to sell well during the first three months of 2008. The sales volume of this model jumped by 78.4 % to 31,148 units.

The first BMW Sports Activity Coupé, the X6, will generally become available to customers during the second quarter 2008. This model has been on the American market since mid-April and will be introduced to the European markets from the end of May onwards.

Now in its seventh year of production, first-quarter sales of the BMW Z4 fell, in line with expectations, by 15.2 % to 5,709 units.

Deliveries of BMW automobiles by model variant in units	1st quarter 2008	1st quarter 2007	Change in %
BMW 1 Series	**49,829**	**32,726**	**52.3**
Three-door	13,182	3	–
Five-door	30,989	32,723	– 5.3
Coupé	4,813	–	–
Convertible	845	–	–
BMW 3 Series	**119,171**	**134,582**	**– 11.5**
Sedan	60,332	82,783	– 27.1
Touring	22,338	26,833	– 16.8
Coupé	22,337	21,221	5.3
Convertible	14,164	3,745	278.2
BMW 5 Series	**51,008**	**51,252**	**– 0.5**
Sedan	39,436	40,047	– 1.5
Touring	11,572	11,205	3.3
BMW 6 Series	**4,335**	**4,493**	**– 3.5**
Coupé	2,443	2,295	6.4
Convertible	1,892	2,198	– 13.9
BMW 7 Series	**9,416**	**9,690**	**– 2.8**
BMW X3	**22,897**	**29,247**	**– 21.7**
BMW X5	**31,148**	**17,459**	**78.4**
BMW X6	**37**	**–**	**–**
BMW Z4 Series	**5,709**	**6,736**	**– 15.2**
Coupé	1,651	2,028	– 18.6
Roadster	4,058	4,708	– 13.8

MINI brand enjoys robust growth

The first-quarter sales volume of the MINI brand rose by 23.6 % to 58,054 units. The launching of the new MINI Clubman was a great success: almost 16,000 units have been handed over to customers since its market introduction in November 2007.

The MINI brand continued to generate a very high-value product mix during the first quarter 2008. In total, 14.1 % of customers opted for the MINI One, 59.6 % purchased the MINI Cooper and 26.3 % chose the MINI Cooper S, the model with the most powerful engine.

Deliveries of MINI automobiles by model variant in units	1st quarter 2008	1st quarter 2007	Change in %
MINI	**40,706**	**39,347**	**3.5**
One	6,984	2,002	248.9
Cooper	23,763	24,759	–4.0
Cooper S	9,959	12,586	–20.9
MINI Convertible	**6,591**	**7,631**	**–13.6**
One	1,210	1,475	–18.0
Cooper	3,229	3,651	–11.6
Cooper S	2,152	2,505	–14.1
MINI Clubman	**10,757**	**–**	**–**
Cooper	7,618	–	–
Cooper S	3,139	–	–

Rolls-Royce records sharp sales volume increase

The number of Rolls-Royce cars handed over to customers in the first quarter 2008 rose steeply by 61.9 % to 183 units. The Phantom Coupé celebrated its world debut at the Geneva International Automobile Show in March. The entire production for the current year is already fully covered by customer orders. The order-book for the Phantom Drophead Coupé is even covered until mid-2009.

Deliveries of Rolls-Royce automobiles by model variant in units	1st quarter 2008	1st quarter 2007	Change in %
Rolls-Royce	**183**	**113**	**61.9**
Phantom	117	113	3.5
Drophead Coupé	66	–	–

BMW Group car production volume exceeds previous year's level

405,595 BMW, MINI and Rolls-Royce brand cars were manufactured in the first quarter 2008, 6.2 % more than in the previous year. The BMW brand accounted for 342,695 units (+ 5.5 %). A total of 62,666 MINI cars came off the production lines in Oxford, England, during the first three months of 2008, 10.2 % more than in the same quarter last year. The Rolls-Royce plant in Goodwood, England, also manufactured more cars in the first quarter than one year earlier with 234 vehicles (+ 9.3 %) leaving the plant. Preparations are already under way at the Goodwood plant for the expansion measures announced in autumn 2007.

External factors have impact on reported earnings

The first-quarter sales volume performance is also reflected in revenues which totalled euro 12,162 million and therefore up by 6.5 %. The financial crisis in North America, rising raw material prices and the continuing weakness of the US dollar again had the effect of holding down earnings in the first three months of 2008. The profit before financial result was euro 619 million, 6.4 % lower than in the first quarter last year. Profit before tax fell by 11.5 % to euro 539 million.

Automobiles segment workforce

The Automobiles segment had a worldwide workforce of 97,753 employees at 31 March 2008, corresponding to a decrease of 0.9 % compared to one year earlier.

Motorcycle sales down on previous year due to model life-cycle factors
The number of BMW motorcycles sold during the first quarter 2008 fell by 8.6 % to 21,046 units. In Europe, the first-quarter sales volume of 15,758 units was 2.8 % down on the previous year. The drop was partly due to unexpected market developments in March on key European motorcycle markets, notably in France and Spain, in the 500 cc plus and 750 cc plus classes. The onset of winter at the beginning of the motorcycling season in Germany caused a particularly strong drop in sales in the first quarter 2008. 3,711 motorcycles were sold in Germany, 10.4 % fewer than in the previous year. By contrast, sales in Italy rose by 8.1 % to 4,354 units. In the USA, the first-quarter sales performance in the Motorcycles segment was hampered by the impact of the financial crisis. The Group sold 1,914 units on this market, 29.0 % fewer than in the corresponding quarter last year. First-quarter motorcycle sales in Japan failed to reach the previous year's high level and fell by 11.3 % to 581 units. The BMW Group expects the March launching of the new two-cylinder F 650 GS and F 800 GS enduro models to create sales momentum in the second quarter.

R 1200 GS again the best-selling motorcycle
With 9,201 units sold, the R 1200 GS long-distance enduro (including the Adventure version) once again took first place in the BMW sales volume rankings. This was followed by the R 1200 RT long-distance tourer with 2,356 units sold. The F 650/800 GS took third place with a sales volume of 1,970 units.

Motorcycle production volume decreased
28,589 BMW motorcycles were produced during the first three months of 2008, corresponding to a 20.1 % decrease against the same quarter last year.

Motorcycles segment earnings at previous year's level
The Motorcycles segment's first-quarter revenues, at euro 345 million, were 6.0 % below the previous year, thus reflecting the sales volume trend. Thanks to efficiency improvement measures successfully initiated in previous years, the segment profit before financial result remained unchanged at euro 36 million, while the profit before tax also remained at the previous year's level of euro 34 million.

Slight increase in workforce
The BMW Group had a workforce of 2,794 employees in the Motorcycles segment at 31 March 2008, 1.0 % more than one year earlier.

Motorcycles		1st quarter 2008	1st quarter 2007	Change in %
Production [1]	units	28,589	35,795	–20.1
Deliveries to customers [2]	units	21,046	23,029	–8.6
Revenues	euro million	345	367	–6.0
Profit before financial result (EBIT)	euro million	36	36	–
Profit before tax	euro million	34	34	–
Workforce at end of quarter [3]		2,794	2,765	1.0

1] including BMW G 650 X assembly at Piaggio S. p. A., Noale, Italy, excluding production Husqvarna Motorcycles: 4,337 units
2] excluding sales volume Husqvarna Motorcycles: 3,894 units
3] excluding employees Husqvarna Motorcycles: 225

Financial services business affected by financial crisis

Although the Financial Services segment was able to expand the volume of new business, first-quarter segment earnings were nevertheless affected by the impact of the financial crisis. The profit before tax also fell sharply as a result of additional measures taken in the area of risk provision. A description of the current risk situation for the financial services business in the light of the financial crisis is provided in the risk report on page 16.

At the end of the first quarter 2008, a total of 2,701,860 lease and financing contracts were in place with dealers and retail customers, 15.6% more than at 31 March 2007. The business volume of the segment in balance sheet terms rose by 10.4% to reach euro 50,474 million at the end of the quarter under report. The proportion of new BMW Group vehicles leased or financed by the Financial Services segment during the first three months of 2008 was 46.7%, 2.5 percentage points above the percentage recorded for the corresponding quarter in 2007.

Retail customer business remains largest line of business

Finance and lease business with retail customers grew again by comparison with the first quarter last year. 282,644 new contracts were signed during the first three months of 2008, corresponding to an 18.5% increase over the previous year. Lease business contributed to this growth with a 12.0% increase in the number of contracts signed. Credit financing increased by 22.4% for the three-month period. Lease contracts accounted for 35.9% of new business and credit financing for 64.1%.

In the pre-owned car financing line of business, the number of new contracts signed during the first quarter was up by 25.2%. Approximately three quarters of these related to the credit financing of pre-owned BMW and MINI brand cars.

The total volume of finance and lease contracts signed with retail customers during the first quarter amounted to euro 6,974 million, representing an 11.2% increase over the previous year.

This increase in the area of retail customer business is reflected in the overall contract portfolio. In total, 2,466,090 contracts were in place at 31 March 2008, 15.2% more than one year earlier. Growth was spread across all regions. The number of retail customer contracts in Germany increased by 16.5%, whilst the remaining European markets and the Asia/Oceania/Africa region grew by 14.9% and 16.5% respectively. The Americas region, with 813,953 contracts, constitutes the largest contract portfolio. The increase here was 14.1% compared to one year earlier.

Multi-brand financing expanded

In the area of multi-brand financing, a total of 38,783 new contracts was signed in the first quarter, an increase of 56.9% over the previous year.

Continuous growth in the area of dealer financing

The Financial Services segment supports the BMW Group dealer organisation with a comprehensive range of products. In addition to the financing of vehicle inventories at the dealerships, these activities also include real estate and equipment financing.

The total volume of dealer financing contracts managed by the Financial Services segment at the end of the first quarter 2008 stood at euro 8,117 million, 12.1% higher than one year earlier.

Fleet business continues to grow

The contract portfolio for fleet business continued to grow strongly in the first quarter 2008. Compared to one year earlier, the portfolio of contracts handled by the Group's fleet companies grew by 57.8% to 293,631 units.

Financial Services		1st quarter 2008	1st quarter 2007	Change in %
New contracts with retail customers		282,644	238,560	18.5
Business volume*	euro million	50,474	45,727	10.4
Revenues	euro million	3,857	3,083	25.1
Profit before financial result (EBIT)	euro million	79	188	–58.0
Profit before tax	euro million	84	183	–54.1
Workforce at end of quarter		4,182	3,596	16.3

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

Strong competition in banking business

Deposit business continues to be characterised by intense market competition. The Financial Services segment's deposit volume worldwide amounted to euro 5,654 million at 31 March 2008, similar to the level one year earlier. The number of securities custodian accounts at that date totalled 31,803 accounts (+6.2 %).

Insurance business registers continuous growth

Demand for insurance products, offered to customers in addition to finance and lease contracts, remains strong. The insurance contract portfolio comprised 1,013,269 contracts at the end of the quarter, surpassing the one-million threshold for the first time. This corresponds to a growth rate of 20.2 %.

Segment earnings adversely affected by financial crisis

The first-quarter profit before financial result of the Financial Services segment, at euro 79 million, was 58.0 % lower than in the previous year. The profit before tax was also down, falling by 54.1 % to euro 84 million. This deterioration was primarily due to the current financial market situation in North America, which adversely impacted earnings in the form of bad debts and additional expense for residual value risks.

Workforce up as a result of acquisitions

The Financial Services segment had 4,182 employees at 31 March 2008, 16.3 % more than one year earlier. Adjusted for employees gained as a result of acquisitions the workforce would have increased by 4.4 %.

BMW stock in the first quarter 2008

Stock markets around the world closed at the end of the first quarter 2008 with the biggest losses seen for more than five years. Characterised by a high degree of volatility, the world's main share indices fell sharply as a result of ongoing uncertainties caused by the credit crisis in the USA. In addition, the continued weakness of the US dollar against the euro had an adverse impact on the share prices of European exporting companies.

The US dollar reached its lowest level to date against the euro. Compared to the closing rate at the end of 2007, it lost a further 7.5 % in value and closed at the end of the period under report at approximately US dollar 1.58 to the euro (31 December 2007: US dollar 1.46 to the euro).

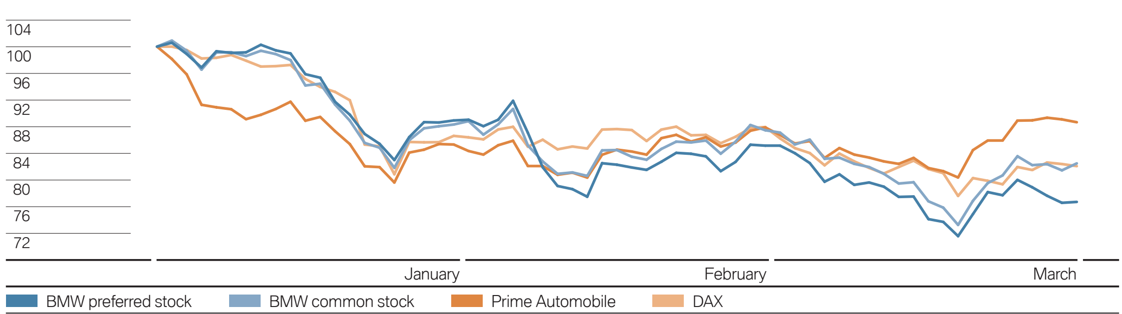
The leading German stock index, the DAX, closed the quarter at 6,534.97 points, 19.0 % lower than at 31 December 2007. The drop in value of the Prime Automobile sector index was less pronounced: due to a number of special factors, the index closed the quarter at 697.14 points, 11.3 % lower than at the end of 2007.

BMW common and preferred stock was not able to extricate itself from the general trend on the world's stock exchanges in the period under report. BMW common stock went down by 17.4 % to euro 34.99 compared to its closing price of euro 42.35 on the last trading day of 2007. The price of BMW preferred stock finished the quarter at euro 27.91. This corresponds to a drop of 23.1 % compared to the closing price of euro 36.30 at 28 December 2007.

Buy-back of shares of preferred stock for employee share plan

BMW AG is again offering its employees the opportunity to participate in an employee share scheme in 2008. To this end, a total of 331,500 shares of preferred stock were acquired via the stock exchange during the first quarter 2008 at an average purchase price of euro 31.32 per share. BMW AG plans to buy back up to one million shares of preferred stock via the stock exchange over the course of 2008 and to offer them to employees for subscription at the end of the year. The BMW Group reports on this matter on its website at www.bmwgroup.com/ir.

Development of BMW stock compared to stock exchange indices
(Index: 28.12.2007 = 100)



Earnings performance

The first-quarter earnings performance was shaped on the one hand by pleasing sales volume figures. On the other hand, however, the BMW Group was unable to avoid the wide-ranging impact of the financial crisis. In addition, reported earnings were negatively affected by an even greater impact from currency factors and the rising price of raw materials.

First-quarter Group revenues rose by 11.2 % to euro 13,285 million. Excluding the effect of currency fluctuations, the increase was as high as 16.6 %. Within Group revenues, external revenues of the Automobiles and Financial Services segments were 6.4 % and 29.0 % ahead of the first quarter 2007 respectively. External revenues of the Motorcycles segment in the first quarter 2008 fell by 6.0 %, reflecting the sales volume decrease. Revenues from other activities of the Group amounted to euro 62 million and related mainly to the Cirquent Group. The comparable figure for the previous year was euro 47 million.

Cost of sales for the Group totalled euro 10,437 million, the increase being 2.1 percentage points higher than the increase in revenues. This reflects the higher expense for risk provisions due to the drop in prices on the pre-owned car market in the USA as well as the effect of less favourable exchange rates and higher raw material prices. Despite these effects, gross profit improved by 4.0 % compared to the first quarter 2007. The gross profit percentage was 21.4 % (first quarter 2007: 22.9 %).

The gross profit margin of Industrial Operations increased to 21.0 % (first quarter 2007: 20.2 %) and that of Financial Operations decreased by 3.7 percentage points to 7.2 %.

Higher model launch costs in the previous year, attributable to model life-cycle factors, resulted in a small decrease in selling costs in the first quarter 2008 (– 0.2 %). Selling costs represented 7.5 % of revenues (first quarter 2007: 8.4 %).

Research and development costs increased by 12.9 % compared to the first quarter 2007. This represents 5.4 % of revenues (first quarter 2007: 5.3 %). They include amortisation of capitalised development costs amounting to euro 298 million (first quarter 2007: euro 250 million). Total research and development costs amounted to euro 626 million (first quarter 2007: euro 670 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. For the first quarter 2008, this results in a research and development expenditure ratio of 4.7 % (first quarter 2007: 5.6 %).

Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs increased by 4.8 % to euro 902 million (first quarter 2007: euro 861 million).

The net amount from other operating income and expenses deteriorated by euro 44 million, mainly as a result of lower gains on the disposal of securities.

The profit before financial result fell by euro 85 million or 9.3 % to euro 827 million.

The financial result was a net expense of euro 186 million, which represented a deterioration of euro 126 million against the corresponding quarter last year. As stated above, earnings in the first quarter 2007 included a gain of euro 31 million resulting from the partial settlement of the exchangeable bond option relating to the BMW Group investment in Rolls-Royce plc, London. The exchangeable bond had been completely settled by the end of 2007. In addition, other financial result includes losses on other derivative financial instruments, in particular on stand-alone interest-rate derivatives. The decrease in the fair values of these financial instruments reflected the changes in the interest rate structure.

Within the financial result, the result from equity accounted investments increased by euro 17 million.

As a result of the adverse factors described above, the first-quarter profit before tax fell by 24.8 %. The income tax expense for the same period decreased by euro 111 million. The first-quarter effective tax rate therefore decreased from 31.1 % to 24.0 %.

The BMW Group generated a net profit of euro 487 million for the three-month period, euro 100 million or 17.0 % lower than in the previous year.

Earnings per share of common stock and preferred stock for the first quarter 2008 amounted to euro 0.74 (first quarter 2007: euro 0.90).

Revenues by segment in the 1st quarter	External revenues		Inter-segment revenues		Total revenues	
in euro million	2008	2007	2008	2007	2008	2007
Automobiles	9,424	8,861	2,738	2,557	12,162	11,418
Motorcycles	342	364	3	3	345	367
Financial Services	3,457	2,679	400	404	3,857	3,083
Reconciliations	62	47	–3,141	–2,964	–3,079	–2,917
Group	**13,285**	**11,951**	**–**	**–**	**13,285**	**11,951**

Earnings performance by segment

Revenues of the Automobiles segment for the first quarter 2008 increased by 6.5%. The segment profit before tax, at euro 539 million, was down by 11.5% compared to one year earlier. Higher expenditure to support the pre-owned car business, adverse currency factors and rising raw material prices all contributed to the deterioration.

Revenues of the Motorcycles segment for the first quarter 2008 fell by 6.0% due to sales volume factors. Despite the drop in sales volume, the segment profit, at euro 34 million, remained at the previous year's level.

Revenues of the Financial Services segment for the first quarter 2008 increased by 25.1%. The first-quarter segment profit before tax was 54.1% lower than in the previous year, reflecting the higher expense for risk provision in the areas of loan financing and vehicle residual values.

Reconciliations to the Group profit before tax were negative in the first quarter 2008, with a net expense of euro 16 million (first quarter 2007: net income of euro 26 million). This was mainly due to higher losses on derivative financial instruments, in particular on stand-alone interest-rate derivatives.

Financial position

The cash flow statements of the BMW Group and its sub-groups show the sources and applications of cash flows for the first quarter of the financial years 2007 and 2008, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to the amount disclosed in the balance sheet.

The cash inflow from operating activities in the first three months decreased by euro 594 million to euro 1,872 million (first quarter 2007: euro 2,466 million).

The cash outflow for investing activities during the first quarter, at euro 3,281 million, was euro 297 million lower than in the previous year. Capital expenditure for intangible assets and property, plant and equipment resulted in the cash outflow for investing activities decreasing by euro 182 million

Profit before tax by segment	1st quarter	1st quarter
in euro million	2008	2007
Automobiles	539	609
Motorcycles	34	34
Financial Services	84	183
Reconciliations	–16	26
Profit before tax*	**641**	**852**
Income taxes	–154	–265
Net profit	**487**	**587**

*Profit before tax for the first quarter 2007 includes an exceptional gain of euro 31 million arising from the exchangeable bond on shares in Rolls-Royce plc, London.

compared to the corresponding period last year. Cash outflow in conjunction with the net investment in leased products and receivables from sales financing decreased by euro 80 million. 57.1 % (first quarter 2007: 68.9 %) of the cash outflow for investing activities was covered by the cash inflow from operating activities. The sub-group cash flow statement shows coverage of 169.2 % (first quarter 2007: 146.7 %) for Industrial Operations. As expected, the cash flow statement of the Financial Operations sub-group shows that cash inflow from operating activities does not cover cash outflow for investing activities due to the high level of capital expenditure on leased products and receivables from sales financing.

Cash inflow from financing activities includes inflows of euro 3,730 million from bond issues (first quarter 2007: euro 2,519 million) and outflows from repayments of euro 1,255 million (first quarter 2007: euro 1,277 million).

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group, the various cash flows resulted in an increase in cash and cash equivalents of euro 1,067 million (first quarter 2007: decrease of euro 82 million).

Net interest-bearing assets relating to Industrial Operations (including receivables from Financial Operations) amounted to euro 7,404 million at 31 March 2008. This represents an increase of euro 352 million since 31 December 2007. Net interest-bearing assets relating to Industrial Operations comprise cash and cash equivalents (euro 2,877 million), marketable securities relating to Industrial Operations (euro 1,883 million) and receivables from the Financial Operations (euro 4,462 million) less financial liabilities of Industrial Operations. Excluding interest and currency derivatives, the latter amounts to euro 1,818 million.

Net assets

The balance sheet total of the BMW Group increased by euro 1,657 million or 1.9 % compared to 31 December 2007. Adjusted for changes in exchange rates, the balance sheet total would have increased by 5.3 %.

The main reason for this increase on the assets side of the balance sheet were inventories (+ 15.2 %), financial assets (+ 19.3 %) and cash and cash equivalents (+ 44.6 %). On the equity and liabilities side of the balance sheet, the increase was due to the increase in financial liabilities (+ 2.6 %) and equity (+ 3.8 %).

Leased-out products decreased by euro 513 million. The higher level of residual value related risk provisions, which are offset against leased products, also contributed to this development. Adjusted for changes in exchange rates, leased-out products would have increased by 2.5 %. Receivables from sales financing also decreased due to exchange rate factors. Adjusted for changes in exchange rates, they would have increased by 3.0 %.

Compared to 31 December 2007, inventories increased by euro 1,116 million to euro 8,465 million. This was due to seasonal factors.

Financial assets increased by 19.3 % to euro 5,720 million, mainly as a result of higher fair values of derivative financial instruments.

Group equity increased primarily as a result of the net profit for the quarter. Within Group equity, accumulated other equity increased by euro 360 million, partly as a result of a euro 323 million increase in the fair values of derivative financial instruments. In addition, the increase in interest rates gave rise to actuarial gains of euro 493 million (net of deferred tax) on pension obligations. By contrast, translation differences and the fair value measurement of securities reduced accumulated other equity by euro 456 million.

The equity ratio of the BMW Group improved overall by 0.5 percentage points to 24.9 %. The equity ratio for Industrial Operations was 46.4 % (31 December 2007: 43.8 %) and that for Financial Operations was 8.8 % (31 December 2007: 9.2 %).

Pension provisions went down by 14.9 % to euro 3,939 million, primarily as a result of the use of a higher discount factor.

Other provisions, at euro 5,578 million, were euro 76 million higher than their level at 31 December 2007. The increase was mainly attributable to higher personnel-related obligations.

Financial liabilities increased by euro 1,162 million during the quarter, mainly as a result of the higher level of bonds.

Trade payables increased by 3.8 % to euro 3,687 million. Other liabilities amounted to euro 6,113 million and were thus euro 17 million lower than at 31 December 2007.

Risk management

As a globally operating enterprise, the BMW Group is confronted with numerous risks. The BMW Group's corporate success has long been founded on the idea of consciously taking calculated risks and making full use of the opportunities relating to them. A description of these risks and of the Group's risk management methods is provided in the Group management report for the financial year ended 31 December 2007 (Annual Report, page 62 et seq.).

The US mortgage credit crisis has worsened since the end of the financial year 2007. In its financial services business, the BMW Group is not able to avoid the wide-ranging impact of this crisis. Although this development was anticipated to a large extent in risk provisions recorded at the end of the financial year 2007 on the basis of the situation at that time, the ensuing crisis of confidence on financial markets is now having an increasingly adverse impact on the financial services sector.

Payment arrears and a higher level of bad debts in retail customer business in the USA also necessitated a higher risk provision in the BMW Group's financial services business. The financial crisis and the resulting downturn in the economic climate in the USA have also resulted in a significant deterioration on North American pre-owned car markets. Losses incurred on reselling pre-owned cars have therefore increased. In addition, the revaluation of portfolios exposed to residual value risks had a negative impact on first-quarter earnings. If the situation on the pre-owned car markets does not ease over the course of 2008 to the extent that the BMW Group currently predicts, there is a risk that this could have a negative impact on the BMW Group's earnings for the year.

Outlook

Pace of global economic growth slowing down

The world economy will grow at a slower pace in 2008 than in 2007. Alongside the rising price of energy and raw materials, the main reason for the slowdown is the mortgage and credit crisis in the USA. This has meanwhile resulted to a crisis of confidence in the global finance system and will have perceptible effects on the economy, particularly in the USA. Declining real estate and stock market prices and the resulting losses on such assets are causing a sharp downturn in domestic demand in the USA. This is being exacerbated by a growing reluctance on the part of banks to approve loans.

The financial crisis is not likely to be felt as sharply in Europe and even less so in Japan. These regions will probably witness a more subdued export performance in the wake of weaker demand worldwide. Although some European banks have experienced difficulties due to very large bad debt losses, the magnitude of those losses has been smaller than those suffered in the USA. Providing that the effects of the financial crisis remain confined to the banking sector, domestic demand in Europe should only decrease slightly.

The financial crisis is also only expected to have a limited impact on the emerging economies. These markets are likely to sustain very high growth rates throughout the current year, only marginally down on the previous year.

The financial crisis and its potential impact are likely to remain the main source of risk for the global economy in 2008. Although further credit losses are predicted, it is likely that they will remain at a manageable level and are thus unlikely to pose a threat to the stability of financial markets as a whole.

If, however, the extent of losses does turn out to be significantly greater than expected, the crisis could then have a considerably greater adverse impact. This, in turn, could hold down global growth to a significantly greater degree than currently assumed. Any acute and prolonged liquidity squeeze could result in a situation in which the availability of credit, particularly that provided by banks, could be restricted for the foreseeable future. In the USA, this could do more than cause a temporary dip in the growth rate; it could also lead to a recession.

Outside the USA, too, there is a risk that the financial crisis could have a greater impact than predicted to date or that it could spill over to the non-financial economy. If this were the case, growth rates could suffer significantly, particularly in Europe and Japan. In this situation, exports and domestic demand would be severely affected.

Furthermore, the recent additional increases in energy and raw material prices continue to pose a significant risk for the world's economies. Export-oriented companies operating in the euro region are also exposed to the risk of a strong euro. This situation does not seem likely to change in the near future.

International automobile markets continue to be divided

The three main traditional car markets (USA, Japan and Western Europe) seem unlikely to generate any new momentum in 2008. In the USA, the number of new car registrations will probably decrease due to the economic downturn caused by the financial crisis. Consumer behaviour is likely to follow suit on European markets, while in Japan the most that can be expected is a slight rise in the number of new registrations. The German market is forecasted to consolidate at a low level following the heavy market losses recorded in the wake of the value added tax hike. The other major European markets are likely, at best, to stagnate. Any escalation of the financial crisis, however, would have a far greater negative impact on the traditional car markets. The resulting reluctance of consumers to spend could noticeably hold down sales volume figures in these markets.

By contrast, car sales in the emerging markets of Asia and Latin America will continue to grow steeply, in many countries with double-digit growth rates. Within the Asian region, the markets in China and India will again grow the fastest. In the Latin America region, Brazil and Argentina are also likely to grow at a similar pace. Double-digit growth is again forecasted for the Russian market in 2008. Eastern European markets will continue to perform dynamically, even though the high rates seen the previous year are not likely to be repeated.

BMW Group remains committed to its targets for 2008

The BMW Group considers that the impact of the financial crisis in the USA could well pose one of the main challenges for business in 2008. At present, however, it is extremely difficult to predict how the financial crisis is likely to develop. Based on its current assessment of the market, the BMW Group has taken the changed risk situation sufficiently into account in the form of balance sheet risk provisions and additional measures to stabilise the situation.

In reaching its assessment, the BMW Group is working on the basis that the current impact of the financial crisis reflects a certain amount of over-reaction. If, however, the situation on the car markets – particularly for pre-owned cars – does not ease over the course of 2008, there is a risk that this could have a negative impact on the BMW Group's earnings for the year. In this context, further developments on the markets are being closely watched with a view to amending the level of risk provision where necessary.

Currency fluctuations (above all the continuing weakness of the US dollar) and rising raw material prices are two further external factors that continue to have an adverse impact on earnings.

Despite this challenging business environment, the BMW Group aims to continue its successful business performance in the financial year 2008. The intention is to counter the effect of the adverse external factors described above by achieving stable growth in the operating segments and continuously implementing efficiency and productivity improvements.

The BMW Group believes that through its rigorous focus on the premium segment it will be able to retain its position as the world's leading premium manufacturer. New high sales volume levels for all three brands and a strong market position in all parts of the world will provide the basis for profitable growth in 2008. Purposeful expansion of the product range and determined engagement on new markets will also help to achieve these objectives.

Robust performance expected in all segments

For the purpose of its outlook for the financial year 2008, the BMW Group is working on the basis that the situation that has arisen on the automobile and financial markets in the wake of the financial crisis will improve over the course of the year. Adverse external factors relating to unfavourable exchange rates and rising raw material prices will again affect the Automobiles segment's reported earnings in 2008. Moreover, the BMW Group's automobile business will also be negatively affected by the impact of the financial crisis, particularly in the area of pre-owned car sales in North America. Nevertheless, the BMW Group aims to improve the Automobile segment's earnings in a year-on-year comparison. The continuing high demand for vehicles manufactured by the BMW Group provides a stable foundation for achieving this aim. In addition, efficiency is continuously being improved.

The BMW Group's Motorcycles segment is continuing with its new model initiative in 2008. It is therefore forecasted that motorcycle sales for the full year will be up on the previous year. In Europe, despite some adverse developments on markets such as Germany, Italy and Spain, sales volume is still forecasted to rise sharply overall. Motorcycle sales in the USA should remain roughly at the previous year's level despite the uncertain economic situation. In spite of the difficult conditions, the Motorcycles segment is aiming to achieve slightly higher earnings than in 2007.

With due regard to the uncertainties prevailing on the financial markets, the BMW Group's Financial Services segment is again forecasted to make an important contribution to the overall performance for the financial year 2008. This will be achieved through organic growth in the segment's established lines of business and targeted regional expansion, especially in the markets of Eastern Europe and Asia. The Financial Services segment's comprehensive range of service-oriented products for dealers and retail customers and the high quality of customer care are important competitive factors that will enable the BMW Group to enhance its strong market position. These factors give good reason to believe that earnings of the Financial Services segment will develop robustly in 2008, notwithstanding the adverse impact of the financial crisis described above.

Excluding the exceptional gain on the Rolls-Royce exchangeable bond recognised in 2007, the BMW Group aims to achieve higher pre-tax group earnings in 2008 than one year earlier. The new strategic direction adopted by the BMW Group will also bear its first fruit and contribute towards a better quality of earnings.

Interim Group Financial Statements
Group and Sub-group Income Statements for the 1st quarter

in euro million	Notes	Group 2008	Group 2007	Industrial Operations[1] 2008	Industrial Operations[1] 2007	Financial Operations[1] 2008	Financial Operations[1] 2007
Revenues	[4]	13,285	11,951	12,567	11,832	3,963	3,166
Cost of sales	[5]	–10,437	–9,213	–9,934	–9,441	–3,678	–2,822
Gross profit		**2,848**	**2,738**	**2,633**	**2,391**	**285**	**344**
Sales and administrative costs	[6]	–1,290	–1,221	–1,145	–1,090	–143	–128
Research and development costs	[7]	–719	–637	–719	–637	–	–
Other operating income	[8]	288	143	133	87	170	64
Other operating expenses	[8]	–300	–111	–145	–69	–171	–53
Profit before financial result		**827**	**912**	**757**	**682**	**141**	**227**
Result from equity accounted investments	[9]	10	–7	10	–7	–	–
Other financial result	[10]	–196	–53	–86	–4	–81	–19
Financial result		–186	–60	–76	–11	–81	–19
Profit before tax		**641**	**852**	**681**	**671**	**60**	**208**
Income taxes	[11]	–154	–265	–162	–210	–25	–64
Net profit		**487**	**587**	**519**	**461**	**35**	**144**
Attributable to minority interest		2	1	2	1	–	–
Attributable to shareholders of BMW AG		**485**	**586**	**517**	**460**	**35**	**144**
Earnings per share of common stock in euro	[12]	0.74	0.90				
Earnings per share of preferred stock[2] in euro	[12]	0.74	0.90				

1] before consolidation of transactions between the sub-groups

2] In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

Interim Group Financial Statements
Group and Sub-group Balance Sheets

Assets in euro million	Notes	Group 31.3.2008	Group 31.12.2007	Industrial Operations* 31.3.2008	Industrial Operations* 31.12.2007	Financial Operations* 31.3.2008	Financial Operations* 31.12.2007
Intangible assets	[13]	5,569	5,670	5,452	5,550	117	120
Property, plant and equipment	[14]	10,838	11,108	10,815	11,083	23	25
Leased products	[15]	16,500	17,013	281	254	19,256	19,911
Investments accounted for using the equity method	[16]	68	63	68	63	–	–
Other investments	[16]	189	209	168	186	21	23
Receivables from sales financing	[17]	19,974	20,248	–	–	19,974	20,248
Financial assets	[18]	1,263	1,173	113	81	1,150	1,092
Deferred tax	[19]	619	720	1,041	1,201	–1,909	–1,952
Other assets	[20]	382	415	1,352	892	327	344
Non-current assets		**55,402**	**56,619**	**19,290**	**19,310**	**38,959**	**39,811**
Inventories	[21]	8,465	7,349	8,457	7,340	8	9
Trade receivables		2,532	2,672	2,422	2,592	110	80
Receivables from sales financing	[17]	14,000	13,996	–	–	14,000	13,996
Financial assets	[18]	4,457	3,622	2,449	2,213	2,008	1,409
Current tax	[19]	306	237	283	225	23	12
Other assets	[20]	2,032	2,109	4,504	6,932	925	863
Cash and cash equivalents		3,460	2,393	2,877	1,887	583	506
Current assets		**35,252**	**32,378**	**20,992**	**21,189**	**17,657**	**16,875**
Total assets		**90,654**	**88,997**	**40,282**	**40,499**	**56,616**	**56,686**
Total assets adjusted for asset backed financing transactions		84,850	82,651	–	–	50,812	50,340

*before consolidation of transactions between the sub-groups

Equity and liabilities in euro million	Notes	Group 31.3.2008	 31.12.2007	Industrial Operations* 31.3.2008	 31.12.2007	Financial Operations* 31.3.2008	 31.12.2007
Subscribed capital		654	654				
Capital reserves		1,911	1,911				
Revenue reserves		21,274	20,789				
Accumulated other equity		–1,261	–1,621				
Treasury shares		–10	–				
Minority interest		13	11				
Equity	[22]	**22,581**	**21,744**	**18,680**	**17,755**	**5,002**	**5,197**
Pension provisions		3,939	4,627	3,906	4,595	33	32
Other provisions	[23]	2,612	2,676	2,395	2,417	217	259
Deferred tax	[24]	2,837	2,714	2,245	2,067	331	369
Financial liabilities	[25]	21,557	21,428	720	716	20,837	20,712
Other liabilities	[26]	1,941	2,024	1,490	1,514	2,235	1,843
Non-current provisions and liabilities		**32,886**	**33,469**	**10,756**	**11,309**	**23,653**	**23,215**
Other provisions	[23]	2,966	2,826	2,738	2,673	225	178
Current tax	[24]	836	808	673	654	163	154
Financial liabilities	[25]	23,526	22,493	1,250	2,090	22,276	20,403
Trade payables		3,687	3,551	3,108	2,938	579	613
Other liabilities	[26]	4,172	4,106	3,077	3,080	4,718	6,926
Current provisions and liabilities		**35,187**	**33,784**	**10,846**	**11,435**	**27,961**	**28,274**
Total equity and liabilities		**90,654**	**88,997**	**40,282**	**40,499**	**56,616**	**56,686**
Total equity and liabilities adjusted for asset backed financing transactions		84,850	82,651	–	–	50,812	50,340

* before consolidation of transactions between the sub-groups

Interim Group Financial Statements
Group and Sub-group Cash Flow Statements for the period from 1 January to 31 March

in euro million	Group	
	2008	2007
Net profit	487	587
Depreciation of leased products	1,222	1,135
Depreciation and amortisation of tangible, intangible and investment assets	902	861
Change in provisions	236	73
Change in deferred tax	–2	45
Change in net current assets and other items	–973	–235
Cash inflow from operating activities	**1,872**	**2,466**
Investment in intangible assets and property, plant and equipment	–691	–873
Net investment in leased products and receivables from sales financing	–2,654	–2,734
Other	64	29
Cash outflow from investing activities	**–3,281**	**–3,578**
Cash inflow/outflow from financing activities	**2,561**	**1,029**
Effect of exchange rate and changes in composition of group on cash and cash equivalents	**–85**	**1**
Change in cash and cash equivalents	**1,067**	**–82**
Cash and cash equivalents at 1 January	2,393	1,336
Cash and cash equivalents at 31 March	**3,460**	**1,254**

Industrial Operations 2008	Industrial Operations 2007	Financial Operations 2008	Financial Operations 2007	
519	461	35	144	Net profit
1	1	1,164	1,076	Depreciation of leased products
896	856	6	5	Depreciation and amortisation of tangible, intangible and investment assets
193	124	21	–51	Change in provisions
–92	53	89	1	Change in deferred tax
–412	–242	–548	38	Change in net current assets and other items
1,105	**1,253**	**767**	**1,213**	**Cash inflow from operating activities**
–688	–869	–3	–4	Investment in intangible assets and property, plant and equipment
–28	–13	–2,626	–2,721	Net investment in leased products and receivables from sales financing
63	28	1	1	Other
–653	**–854**	**–2,628**	**–2,724**	**Cash outflow from investing activities**
582	**–405**	**1,979**	**1,434**	**Cash inflow/outflow from financing activities**
–44	**3**	**–41**	**–2**	**Effect of exchange rate and changes in composition of group on cash and cash equivalents**
990	**–3**	**77**	**–79**	**Change in cash and cash equivalents**
1,887	1,235	506	101	Cash and cash equivalents at 1 January
2,877	**1,232**	**583**	**22**	**Cash and cash equivalents at 31 March**

Interim Group Financial Statements
Statement of Income and Expenses recognised directly in Equity for the period from 1 January to 31 March

in euro million	2008	2007
Fair value gains and losses on available-for-sale investments recognised directly in equity	–48	–42
Fair value gains and losses on financial instruments used for hedging purposes recognised directly in equity	453	43
Exchange differences arising on the translation of foreign subsidiaries	–429	–60
Actuarial gains and losses on defined benefit pension and similar obligations	738	2
Deferred tax on gains and losses recognised directly in equity	–354	–5
Gains and losses recognised directly in equity	**360**	**–62**
Profit after tax attributable to shareholders of BMW AG	**485**	**586**
Aggregate amount of net profit for period and gains and losses recognised directly in equity	**845**	**524**

[1] Basis of preparation

The Group financial statements of BMW AG at 31 December 2007 were drawn up in accordance with International Financial Reporting Standards (IFRSs), as applicable in the EU. The interim Group financial statements (Interim Report) at 31 March 2008, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods those as employed in the 2007 Group financial statements. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which are mandatory at 31 March 2008 have also been applied. The Interim Report also complies with German Accounting Standard No. 6 (GAS 6) – Interim Financial Reporting – issued by the German Accounting Standards Committee e. V. (GASC). The interim Group financial statements have neither been audited nor reviewed by the Group auditors, KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft.

Further information regarding the Group's accounting principles and policies is contained in the BMW Group financial statements at 31 December 2007. The Group currency is the euro. All amounts are disclosed in millions of euros (euro million) unless stated otherwise.

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

In conjunction with the refinancing of financial services business, a significant volume of receivables arising from retail customer and dealer financing is sold. Similarly, rights and obligations relating to leases are sold. The sale of receivables is a well established instrument used by industrial companies. These transactions are usually in the form of asset-backed financing transactions involving the sale of a portfolio of receivables to a trust which, in turn, issues marketable securities to refinance the purchase price. The BMW Group continues to "service" the receivables and receives an appropriate fee for these services. In accordance with IAS 27 (Consolidated and Separate Financial Statements) and the interpretation contained in SIC-12 (Consolidation – Special Purpose Entities) such assets remain in the Group financial statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet on transfer of the related significant risks and rewards. The balance sheet value of the assets sold at 31 March 2008 totalled euro 5.8 billion (31 December 2007: euro 6.3 billion). For an additional understanding of the asset, liability and financial position of the BMW Group, the Group balance sheet contains a supplementary disclosure of the balance sheet total adjusted for assets which have been sold.

In addition to credit financing and lease contracts, the Financial Services segment also brokers insurance business via cooperation arrangements entered into with local insurance companies. These activities are not material to the BMW Group as a whole.

[2] **Consolidated companies**

The BMW Group financial statements for the first quarter 2008 include, besides BMW AG, 45 German and 156 foreign subsidiaries. This includes 17 special purpose securities funds and 24 special purpose trusts, almost all of which are used for asset backed financing transactions.

BMW Roma S.r.l., Rome, and BMW de Argentina S.A., Buenos Aires, were consolidated for the first time in the first quarter 2008.

The companies entory AG, Ettlingen, axentiv AG, Darmstadt, Nexolab GmbH, Munich, and F.A.S.T. Gesellschaft für angewandte Softwaretechnologie mbH, Munich, ceased to be consolidated companies following their merger with Cirquent GmbH, Munich. Aveling Barford Manufacturing (Pty) Ltd., Cape Town, is also no longer a consolidated company.

Compared to the same quarter last year, four subsidiaries, seven special purpose trusts and two special purpose securities funds are consolidated for the first time. In addition, five subsidiaries, two special purpose securities funds and two special purpose trusts ceased to be consolidated companies.

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

[3] **New financial reporting rules**

(a) Financial reporting rules applied for the first time in the first quarter 2008

The following Interpretations were applied for the first time in the first quarter 2008:

– IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions)
– IFRIC 12 (Service Concession Arrangements)
– IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction).

The financial reporting rules applied for the first time did not have a significant impact on the BMW Group.

(b) New financial reporting rules issued during the first quarter 2008

During the first quarter 2008, the IASB issued a revised version of IFRS 3 (Business Combinations) and IAS 27 (Consolidated and Separate Financial Statements). The following amendments to Standards were also issued:

– Amendment to IFRS 2 (Vesting Conditions and Cancellations)
– Amendment to IAS 32 and IAS 1 (Puttable Financial Instruments and Obligations Arising on Liquidation)

The changes are mandatory for financial years commencing on or after 1 January 2009. These new financial rules will not have a significant impact on the BMW Group.

[4] Revenues

Revenues by activity comprise the following:

in euro million	1st quarter 2008	1st quarter 2007
Sales of products and related goods	9,702	9,162
Income from lease instalments	1,319	1,158
Sales of products previously leased to customers	1,356	874
Interest income on loan financing	681	545
Other income	227	212
Revenues	**13,285**	**11,951**

An analysis of revenues by business segment is shown in the segment information on page 34.

[5] Cost of sales

Cost of sales of euro 10,437 million (first quarter 2007: euro 9,213 million) include euro 3,282 million (first quarter 2007: euro 2,432 million) relating to the financial services business.

[6] Sales and administrative costs

Sales costs amounted to euro 999 million (first quarter 2007: euro 1,001 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative costs amounted to euro 291 million (first quarter 2007: euro 220 million). These comprise expenses for administration which are not attributable to development, production or sales functions.

[7] Research and development costs

Research and development costs of euro 719 million (first quarter 2007: euro 637 million) comprise all research costs and development costs not recognised as assets as well as amortisation of capitalised development costs of euro 298 million (first quarter 2007: euro 250 million).

[8] Other operating income and expenses

The main items included in other operating income and expenses are gains and losses from foreign currency fluctuations and on the disposal of assets.

[9] Result from equity accounted investments

The profit from equity method accounting of euro 10 million (first quarter 2007: loss of euro 7 million) includes the result of the joint venture, BMW Brilliance Automotive Ltd., Shenyang.

[10] Other financial result

in euro million	1st quarter 2008	1st quarter 2007
Net interest expense	–117	–48
Sundry other financial result	–79	–5
Other financial result	**–196**	**–53**

The change in other financial result was primarily attributable to the fair value measurement of stand-alone interest-rate derivatives. The decrease in the fair values of these financial instruments reflected the changes in the interest rate structure.

[11] Income taxes

Taxes on income comprise the following:

in euro million	1st quarter 2008	1st quarter 2007
Current tax expense	168	220
Deferred tax expense	–14	45
Income taxes	**154**	**265**

The effective tax rate for the first quarter 2008 was 24.0% (first quarter 2007: 31.1%).

[12] Earnings per share

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

		1st quarter 2008	1st quarter 2007
Profit attributable to the shareholders	euro million	485.4	586.2
Profit attributable to common stock	euro million (rounded)	446.9	539.8
Profit attributable to preferred stock	euro million (rounded)	38.5	46.4
Average number of common stock shares in circulation	number	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	51,864,662	51,446,162
Earnings per share of common stock	euro	**0.74**	**0.90**
Earnings per share of preferred stock	euro	**0.74**	**0.90**

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

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

[13] Intangible assets

Intangible assets comprise capitalised development costs on vehicle and engine projects as well as subsidies for tool costs, licences, purchased development projects and software. Capitalised development costs at 31 March 2008 amounted to euro 4,941 million (31 December 2007: euro 5,034 million). Capital expenditure for development costs in the first quarter amounted to euro 205 million (first quarter 2007: euro 283 million). Amortisation amounted to euro 298 million (first quarter 2007: euro 250 million).

In addition, intangible assets include goodwill of euro 163 million, unchanged compared to 31 December 2007. This comprises goodwill arising on earlier business acquisitions within the Cirquent Group and on the acquisition of DEKRA SüdLeasing Services GmbH, Stuttgart, and that entity's subsidiaries.

[14] Property, plant and equipment

Capital expenditure for property, plant and equipment in the first three months of 2008 was euro 476 million (first quarter 2007: euro 546 million). The depreciation expense for the same period amounted to euro 581 million (first quarter 2007: euro 586 million).

[15] Leased products

Additions to leased products and depreciation thereon amounted to euro 2,402 million (first quarter 2007: euro 2,346 million) and euro 488 million (first quarter 2007: euro 513 million) respectively. Disposals amounted to euro 1,511 million (first quarter 2007: euro 1,078 million). The translation of foreign currency financial statements resulted in a net negative translation difference of euro 916 million (first quarter 2007: net negative translation difference of euro 102 million).

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

Investments accounted for using the equity method comprise the Group's interest in the joint venture BMW Brilliance Automotive Ltd., Shenyang.

Other investments relate primarily to investments in non-consolidated subsidiaries and non-current marketable securities.

[17] Receivables from sales financing

Receivables from sales financing totalling euro 33,974 million (31 December 2007: euro 34,244 million) relate to credit financing for retail customers and dealers and to finance leases.

Receivables from sales financing include euro 19,974 million (31 December 2007: euro 20,248 million) with a remaining term of more than one year.

[18] Financial assets

Financial assets comprise:

in euro million	31.3.2008	31.12.2007
Interest and currency derivatives	3,032	1,980
Marketable securities and investment funds	1,910	1,959
Loans to third parties	25	28
Other	753	828
Financial assets	**5,720**	**4,795**
thereof non-current	1,263	1,173
thereof current	4,457	3,622

The change in the line item "Interest and currency derivatives" relates primarily to changed exchange rate parities with the US dollar and the British pound as well as to the changed interest rate structure.

[19] **Income tax assets**

Income tax assets can be analysed as follows:

31 March 2008 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	619	619
Current tax	184	122	306
Income tax assets	**184**	**741**	**925**

31 December 2007 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	720	720
Current tax	118	119	237
Income tax assets	**118**	**839**	**957**

[20] **Other assets**

in euro million	31.3.2008	31.12.2007
Other taxes	632	554
Receivables from subsidiaries	388	641
Receivables from other companies in which an investment is held	95	104
Prepayments	731	729
Sundry other assets	568	496
Other assets	**2,414**	**2,524**
thereof non-current	382	415
thereof current	2,032	2,109

[21] **Inventories**

Inventories comprise the following:

in euro million	31.3.2008	31.12.2007
Raw materials and supplies	604	632
Work in progress, unbilled contracts	997	871
Finished goods	6,011	4,731
Goods for resale	853	1,115
Inventories	**8,465**	**7,349**

The increase in finished goods was due to seasonal factors.

[22] **Equity**

Equity of the BMW Group developed during the first quarter as follows:

in euro million	Subscribed capital	Capital reserves	Revenue reserves	Accumulated other equity				Treasury shares	Minority interest	Total
				Translation differences	Securities	Derivative financial instruments	Pension obligations			
31 December 2006	**654**	**1,911**	**18,121**	**–837**	**214**	**178**	**–1,115**	**–**	**4**	**19,130**
Acquisition of treasury shares	–	–	–	–	–	–	–	–34	–	–34
Translation differences	–	–	–	–60	–	7	2	–	–	–51
Financial instruments	–	–	–	–	–42	36	–	–	–	–6
Deferred tax on transactions recognised directly in equity	–	–	–	–	–	–5	–	–	–	–5
Net profit 31 March 2007	–	–	586	–	–	–	–	–	1	587
31 March 2007	**654**	**1,911**	**18,707**	**–897**	**172**	**216**	**–1,113**	**–34**	**5**	**19,621**
31 December 2007	**654**	**1,911**	**20,789**	**–1,259**	**35**	**438**	**–835**	**–**	**11**	**21,744**
Acquisition of treasury shares	–	–	–	–	–	–	–	–10	–	–10
Translation differences	–	–	–	–429	–	–21	42	–	–	–408
Financial instruments	–	–	–	–	–48	474	–	–	–	426
Actuarial gains and losses on pension obligations	–	–	–	–	–	–	696	–	–	696
Deferred tax on transactions recognised directly in equity	–	–	–	–	–	–151	–203	–	–	–354
Net profit 31 March 2008	–	–	485	–	–	–	–	–	2	487
31 March 2008	**654**	**1,911**	**21,274**	**–1,688**	**–13**	**740**	**–300**	**–10**	**13**	**22,581**

Number of shares issued

At 31 March 2008, common stock issued by BMW AG was divided into 601,995,196 shares with a par-value of one euro, unchanged from the previous year. Preferred stock issued by BMW AG was divided into 52,196,162 shares with a par-value of one euro, also unchanged from the previous year. Unlike the common stock, no voting rights are attached to the preferred stock. All of the company's stock is issued to bearer. Preferred stock bears an additional dividend of euro 0.02 per share.

At the Annual General Meeting on 15 May 2007, the shareholders authorised the Board of Management to acquire treasury shares via the stock exchange, up to a maximum of 10% of the share capital in place at the date of the resolution, and to withdraw these shares from circulation without any further resolution by the Annual General Meeting. At the same time, the authorisation from 16 May 2006 to acquire treasury shares was rescinded. The authorisation has not been exercised to date. It has not yet been decided whether or to which extent the authorisation will be used.

During the first quarter 2008, BMW AG acquired 331,500 shares of BMW preferred stock at an average price of euro 31.32 per share. These shares are intended for issue to employees during the financial year 2008 at a reduced price in conjunction with an employee share scheme. These shares of preferred stock are subject to a vesting period of four years. The effect of applying IFRS 2 (Share-Based Payments) to the employee share scheme was not material for the Group.

Equity attributable to shareholders

Equity attributable to shareholders of BMW AG at 31 March 2008 amounted to euro 22,568 million (31 December 2007: euro 21,733 million).

Equity attributable to minority interests amounted to euro 13 million (31 December 2007: euro 11 million). This includes a minority interest of euro 2 million in the results for the period (31 December 2007: euro 8 million).

[23] Other provisions

Other provisions, at euro 5,578 million (31 December 2007: euro 5,502 million) primarily include personnel-related obligations and obligations for ongoing operational expenses.

Current provisions at 31 March 2008 amounted to euro 2,966 million (31 December 2007: euro 2,826 million).

[24] Income tax liabilities

31 March 2008 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,837	2,837
Current tax	437	399	836
Income tax liabilities	**437**	**3,236**	**3,673**

31 December 2007 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,714	2,714
Current tax	378	430	808
Income tax liabilities	**378**	**3,144**	**3,522**

Current tax liabilities of euro 836 million (31 December 2007: euro 808 million) comprise euro 164 million (31 December 2007: euro 161 million) for taxes payable and euro 672 million (31 December 2007: euro 647 million) for tax provisions. There was no income from the reversal of tax provisions in the period under report (first quarter 2007: euro 8 million).

[25] Financial liabilities

Financial liabilities include all obligations of the BMW Group relating to financing activities. These comprise the following at the relevant reporting dates:

in euro million	31.3.2008	31.12.2007
Bonds	20,215	18,383
Liabilities to banks	6,281	6,501
Liabilities from customer deposits (banking)	5,654	5,732
Commercial paper	5,539	5,445
Asset backed financing transactions	5,804	6,346
Interest and currency derivatives	743	616
Other	847	898
Financial liabilities	**45,083**	**43,921**
thereof non-current	21,557	21,428
thereof current	23,526	22,493

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

[26] Other liabilities

Other liabilities comprise the following items:

in euro million	31.3.2008	31.12.2007
Other taxes	616	537
Social security	43	46
Advance payments from customers	429	382
Deposits received	139	146
Liabilities to subsidiaries	37	75
Liabilities to other companies in which an investment is held	2	–
Deferred income	2,801	2,844
Sundry other liabilities	2,046	2,100
Other liabilities	**6,113**	**6,130**
thereof non-current	1,941	2,024
thereof current	4,172	4,106

[27] Related party relationships

In accordance with IAS 24 (Related Party Disclosures), related individuals or entities which have the ability to control the BMW Group or which are controlled by the BMW Group must be disclosed unless such parties are not already included in the consolidated financial statements as consolidated companies. Control is defined as ownership of more than one half of the voting power of BMW AG or the power to direct, by statute or agreement, the financial and operating policies of the management of the Group.

In addition, the disclosure requirements of IAS 24 also cover transactions with associates and with parties which have the ability to exercise significant influence over the financial and operating policies of the BMW Group. This also includes close relatives and intermediaries. Significant influence over the financial and operating policies of the Group can arise when a party holds 20% or more of the shares of BMW AG or is a member of the Board of Management or Supervisory Board of BMW AG.

For the first quarter 2008, the disclosure requirements contained in IAS 24 only affect the BMW Group with regard to business relationships with affiliated, non-consolidated entities, joint ventures, other equity investments as well as with members of the Board of Management and Supervisory Board of BMW AG.

The BMW Group's relationships with affiliated, non-consolidated entities are based on arm's length principles. Transactions with these related parties are small in scale and in the normal course of business.

Transactions of BMW Group companies with joint ventures and other equity investments – mainly BMW Brilliance Automotive Ltd., Shenyang (50%) – all arise in the normal course of business and are conducted on the basis of arm's length principles.

Stefan Quandt is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v.d.H., which, via its subsidiaries, performed logistics services for the BMW Group during the first quarter 2008. In addition, companies of the DELTON Group purchased vehicles from the BMW Group. These service and sale contracts are not material for the BMW Group and are made, without exception, on the basis of arm's length principles.

Susanne Klatten is a shareholder and member of the Supervisory Board of BMW AG, and also a shareholder and Deputy Chairman of the Supervisory Board of Altana AG, Wesel. Altana AG, Wesel, purchased vehicles from the BMW Group during the first quarter 2008. These sale contracts are not material for the BMW Group and are made, without exception, on the basis of arm's length principles.

With the exception of these related party transactions, companies of the BMW Group did not enter into any significant transactions with members of the Board of Management or Supervisory Board of BMW AG or with companies in whose representative bodies those persons are represented. The same applies to close members of the families of those persons.

[28] **Segment information**

The activities of the various segments are described in the Group financial statements of BMW AG at 31 December 2007.

Segment information for the first quarter 2008 is as follows:

Segment information by business segment in euro million		Automobiles 2008	2007	Motorcycles 2008	2007	Financial Services 2008	2007	Reconciliations 2008	2007	Group 2008	2007
External revenues		9,424	8,861	342	364	3,457	2,679	62	47	13,285	11,951
Inter-segment revenues		2,738	2,557	3	3	400	404	–3,141	–2,964	–	–
Total revenues		**12,162**	**11,418**	**345**	**367**	**3,857**	**3,083**	**–3,079**	**–2,917**	**13,285**	**11,951**
Profit before financial result (EBIT)		619	661	36	36	79	188	93	27	827	912
Result from equity accounted investments		10	–7	–	–	–	–	–	–	10	–7
Other net financial result		–90	–45	–2	–2	5	–5	–109	–1	–196	–53
Profit before tax		**539**	**609**	**34**	**34**	**84**	**183**	**–16**	**26**	**641**	**852**
Return on sales	%	4.4	5.3	9.9	9.3	2.2	5.9	–	–	4.8	7.1
EBIT margin	%	5.1	5.8	10.4	9.8	2.0	6.1	–	–	6.2	7.6

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Financial Calendar

Annual General Meeting	8 May 2008
Quarterly Report to 30 June 2008	5 August 2008
Quarterly Report to 30 September 2008	4 November 2008
Annual Report 2008	18 March 2009
Annual Accounts Press Conference	18 March 2009
Financial Analysts' Meeting	19 March 2009
Quarterly Report to 31 March 2009	6 May 2009
Annual General Meeting	14 May 2009
Quarterly Report to 30 June 2009	4 August 2009
Quarterly Report to 30 September 2009	3 November 2009

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