Interim Report
to 30 September 2007

Q3

Rolls-Royce
Motor Cars Limited

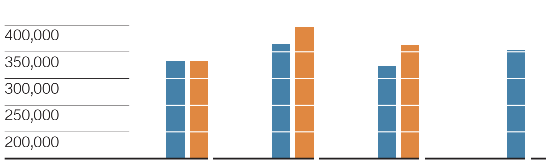
BMW Group

Interim Group Management Report
The BMW Group – an Overview

BMW Group in figures		3rd quarter 2007	3rd quarter 2006	Change in %
Vehicle production				
Automobiles	units	371,569	329,143	12.9
Motorcycles[1]	units	20,299	22,279	–8.9
Deliveries to customers				
Automobiles	units	364,564	323,064	12.8
Motorcycles	units	23,549	23,230	1.4
Workforce at end of quarter		**107,731**	**107,027**	**0.7**
Operating cash flow	euro million	**1,678**	**255**	**558.0**
Revenues	euro million	**13,778**	**11,557**	**19.2**
Profit before tax	euro million	**765**	**720**	**6.3**
Thereof:				
Automobiles	euro million	704	611	15.2
Motorcycles	euro million	5	4	25.0
Financial Services	euro million	191	182	4.9
Reconciliations	euro million	–135	–77	–75.3
Income taxes	euro million	**38**	**–268**	**–**
Net profit	euro million	**803**	**452**	**77.7**
Earnings per share[2]	euro	**1.22/1.22**	**0.69/0.69**	**76.8/76.8**

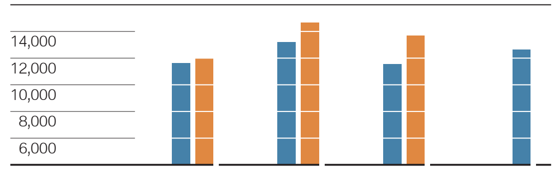
1] including BMW G 650 X assembly at Piaggio S.p.A., Noale, Italy
2] for common/preferred stock in accordance with IAS 33. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

Deliveries of automobiles
in units



	Q1	Q2	Q3	Q4
2006	332,923	365,547	323,064	352,436
2007	333,276	397,009	364,564	

Revenues
in euro million



	Q1	Q2	Q3	Q4
2006	11,618	13,193	11,557	12,631
2007	11,951	14,683	13,778	

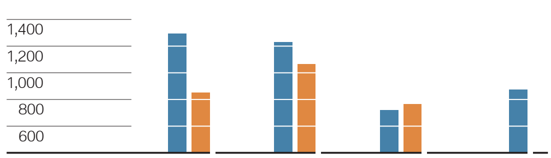
BMW Group in figures		1 January to 30 September 2007	1 January to 30 September 2006	Change in %
Vehicle production				
Automobiles	units	1,160,247	1,028,949	12.8
Motorcycles[1]	units	88,866	83,350	6.6
Deliveries to customers				
Automobiles	units	1,094,849	1,021,534	7.2
Motorcycles	units	82,779	79,333	4.3
Workforce at end of quarter		**107,731**	**107,027**	**0.7**
Operating cash flow	euro million	**4,476**	**3,998**	**12.0**
Revenues	euro million	**40,412**	**36,368**	**11.1**
Profit before tax[2]	euro million	**2,682**	**3,248**	**–17.4**
Thereof:				
Automobiles	euro million	2,114	2,319	– 8.8
Motorcycles	euro million	95	89	6.7
Financial Services	euro million	563	535	5.2
Reconciliations	euro million	– 90	305	–
Income taxes	euro million	**– 539**	**–1,061**	**49.2**
Net profit	euro million	**2,143**	**2,187**	**– 2.0**
Earnings per share[3]	euro	**3.27/3.28**	**3.33/3.34**	**–1.8/–1.8**

1] including BMW G 650 X assembly at Piaggio S.p.A., Noale, Italy

2] Profit before tax for the first nine months of 2006 included a gain of euro 375 million arising from the partial settlement of the exchangeable bond on shares in Rolls-Royce plc, London.

3] 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.

Profit before tax
in euro million



	Q1	Q2	Q3	Q4
2006	**1,296**	**1,232**	**720**	**876**
2007	**852**	**1,065**	**765**	

Interim Group Management Report
The BMW Group – an Overview

BMW Group confirms outlook

The BMW Group's performance continued as planned during the period under report. In total, 364,564 BMW, MINI and Rolls-Royce brand cars were sold during the third quarter 2007, 12.8% more than in the same quarter last year. The sales volume figure for the nine-month period was 1,094,849 units, representing a growth of 7.2%. This was also a new sales volume record for the first nine months of a year.

The Motorcycles business also progressed as planned, despite some difficult business conditions. In total, 23,549 BMW motorcycles were sold during the third quarter, 1.4% more than in the previous year. For the period from January to September, the number of units sold rose by 4.3% to a total of 82,779 motorcycles.

Financial services business continues to register double-digit growth rates. The number of leasing and credit contracts in place with retail customers and dealers at the quarter-end climbed to 2,539,701 units, 14.5% more than one year earlier.

Double-digit growth for revenues

Group revenues rose sharply, reflecting the overall strong sales volume performance of the BMW Group. Revenues generated in the third quarter and for the nine-month period both increased at a double-digit rate. Third-quarter group revenues rose by 19.2% to euro 13,778 million, whilst revenues for the period from January to September climbed by 11.1% to euro 40,412 million. Excluding exchange rate factors, group revenues for the nine-month period would have risen by 14.0%.

Reported results benefited to an increasing extent from the rise in group revenues. This is reflected in the fact that the third quarter group profit before tax improved by 6.3% to euro 765 million. Adverse external factors continued to affect pre-tax earnings for the period from January to September 2007. The continuing weakness of the US dollar and the Japanese yen, combined with the higher cost of raw materials, continued to have an impact on group earnings. Costs also arose in conjunction with market launches and production start-ups for numerous new models. At euro 2,682 million, the profit before tax was therefore 17.4% lower than in the first nine months of the previous year. Excluding the impact of the partial settlement of the exchangeable bond on shares in Rolls-Royce plc, London, the profit before tax for the nine-month period would have fallen by 9.4%.

BMW Group workforce up slightly

The BMW Group had a worldwide workforce of 107,731 employees at the end of the third quarter 2007, a marginally higher number (+0.7%) than at 30 September 2006. This includes additions in connection with acquisitions made by the BMW Group in the financial services business.

1,214 apprentices started their careers with the BMW Group in September 2007. The number of new apprenticeships therefore remained at a high level (2006: 1,207).

Strategic realignment of the BMW Group announced

The BMW Group announced its future strategic realignment at the end of September 2007. Through 2020, the BMW Group intends to strengthen its position within the global premium automobile market by increasing retail sales volume to more than two million units per annum. The strategic direction is clearly defined: the BMW Group is the world's leading provider of premium products and premium services for individual mobility. This means that in addition to striving for organic growth in the core line of business, the BMW Group will also engage in new and profitable areas of activity throughout the automotive life-cycle and all the way along the value added chain. At the same time, the BMW Group will invest substantially in future technologies, new vehicle concepts and state-of-the-art drive systems. The strategy will be aimed at maximising profitability and increasing value over the long term. In order to achieve these objectives, two new areas of responsibility have been created within the Board of Management for "Corporate and Brand Development" and "Purchasing and Supplier Network".

BMW Welt opens

BMW Welt was opened in Munich at the end of October, offering a wide range of experiences to customers, visitors and local people alike. With this building, which explores the limits of the technically feasible, the BMW Group has set a new architectural benchmark. The BMW Welt is the new home of the BMW brand. It stands for dynamism and elegance, perfectly reflecting the premium standards of the BMW brand. The centrepiece of this multifunctional building is its individualised personal delivery centre. Each year, approximately 45,000 vehicles will be handed over to customers from all over the world. The BMW Group expects 850,000 visitors per year. In addition to the exclusive presentation of all of its automobile model series and motorcycles, multi-media shows and exhibits will provide an insight into the research, development, design and production activities of the BMW Group, giving visitors the chance to enjoy an all-round experience of the BMW brand and of the company as a whole. BMW Welt also boasts an events forum including state-of-the-art technology for staging all kinds of events, such as receptions, seminars, concerts, exhibitions, conferences and live transmissions.

BMW Group's model range expanded
The BMW Group continued to expand its range of models during the third quarter 2007 and also announced numerous upcoming new model launches. Following the market introduction of the revised BMW 6 Series Coupé and Convertible models in September 2007, the BMW 1 Series Coupé and the MINI Clubman will become available to customers from November 2007 onwards.

The BMW Group also announced plans to introduce a convertible version to the BMW 1 Series. This BMW 1 Series Convertible will be a four-seater and the first premium convertible to become available in the compact vehicle segment. The BMW M3 will also be built with an additional body variant, the BMW M3 Sedan. This vehicle will retain the typical BMW M3 appearance, whilst offering numerous personal customisation options, including a range of ways to individualise the vehicle's interior.

The BMW Group is also working with great determination to expand the range of models offered by the Motorcycles segment. In this vein, the new HP2 Sport was presented at the end of September at the motorcycle fair in Paris and will become available to customers in spring 2008. The HP2 Sport is the sportiest, most powerful, but also the lightest series Boxer to date and is designed primarily to attract ambitious, sports-minded motorcyclists.

The BMW Group will continue its new-model initiative in the coming years. The successful X Series will be further expanded to include the Sports Activity Vehicle BMW X1. The BMW Concept X6 has already been presented at the International Motor Show (IAA) in Frankfurt. In addition, a four-door Gran Turismo will be built along the lines of the concept study CS, previously presented in Shanghai. Plans are also underway to open up a completely new segment based on a fundamentally novel vehicle concept. This is currently being pursued in the form of the Progressive Activity Sedan (PAS) which will add a range of intelligent solutions designed to enhance the functionality of new sedans.

The MINI brand will also be broadening its range with the introduction of a new model in the Sports Activity Vehicles segment. Rolls-Royce will also enhance its range of models by launching a coupé version as the third variant of the Phantom. A further Rolls-Royce model is also envisaged which will be positioned in terms of price and size at a level somewhat below the Rolls-Royce Phantom.

Purchasing office opened in Eastern Europe
The BMW Group opened an international purchasing office in Budapest on 1 August 2007. This local presence will ensure easier access to the Central and Eastern European procurement markets for the first time. One of the prime objectives is therefore to identify and establish a network of qualified suppliers for the BMW Group in Central and Eastern Europe.

Global economy relatively robust despite uncertainties
The global economy will continue to grow dynamically in the fourth quarter 2007, although somewhat less strongly than in the previous year. This can be mainly put down to less expansive monetary and fiscal policies and persisting rises in energy and raw material prices. It must also be expected that the credit crisis will continue to have an impact in the USA. The resulting slow-down will be partially offset by stronger growth in the emerging economies. In full-year terms, the emerging markets of Asia and Latin America are likely to expand at rates similar to those registered in the previous year. The same applies to Europe and Japan, albeit at a much lower level.

The sub-prime mortgage crisis in the USA and its impact on the credit markets currently constitute the greatest risk to the global economy. If the crisis turns out to be more serious than generally assumed to date, the adverse impact on growth within the USA as well as the volume of goods exported to the USA will also be felt significantly into 2008. At present, however, the crisis is not expected to spread into other credit markets. Further sharp rises in energy and raw material prices also pose a risk to the global economy, just as the strong euro does for countries that are part of the European Currency Union.

International automobile markets continue to perform inconsistently

Once again, the triad of traditional car markets (USA, Japan and Western Europe) is unlikely to generate any significant momentum in 2007. While the US market continues to contract at a similar pace to the previous year, Japan and particularly Germany – the latter as a consequence of the value added tax hike and the uncertainty caused by the on-going CO_2 debate – are experiencing high negative growth rates this year. The remaining markets in Western Europe continue to perform inconsistently.

By contrast, the automobile markets in the emerging countries of Asia and Latin America are still maintaining their dynamic growth rates in 2007. The number of cars sold in China this year will increase by some 25 %; in the meantime, China has become the second-largest automobile market in the world after the USA. The markets in Brazil and Argentina are growing at similarly high rates and also India is again recording double-digit growth. Overall, the premium segments of the automobile markets will continue to grow faster than non-premium segments.

Risk management

As a globally operating enterprise, the BMW Group is confronted with numerous risks. A description of these risks is provided in the group management report for the financial year ended 31 December 2006 (Annual Report, page 58 et seq.).

BMW Group reaffirms targets for 2007

The BMW Group forecasts a continuation of its successful performance over the remainder of the financial year 2007.

Car unit sales for the period from January to September 2007 developed as planned. After moderate growth at the beginning of 2007, sales volume figures have gathered pace as the year has progressed. Against this background, the BMW Group reaffirms its forecast and expects the number of cars sold during the full year to increase in the high single-digit percentage range. As before, new high levels are predicted for all three brands.

Exchange rate factors and higher raw material costs will have an adverse impact on full-year earnings, in particular those of the Automobiles segment. Due to the faster sales volume growth rates, the BMW Group nevertheless forecasts higher pre-tax earnings for the Automobiles segment than in the previous year.

In the Motorcycles segment, the sales volume performance continues to reflect inconsistent market conditions. The BMW Group is responding to this situation by engaging systematically in new markets and making full use of potential efficiency benefits.

The stable growth enjoyed by the Financial Services segment represents a major contributing factor towards the overall success of the BMW Group. This positive trend continues unabated. The integration of Dekra SüdLeasing Services GmbH (now operating as BMW Fuhrparkmanagement Beteiligungs GmbH) and its subsidiaries into the BMW Group is progressing according to plan and is a logical step towards achieving future growth. Higher refinancing costs will, however, remain a challenge in the future.

The exchangeable bond option on the BMW Group's investment in Rolls-Royce plc, London, was largely settled in 2006 and there will be no comparable impact on earnings in 2007.

Stable growth in the operating segments as well as continuous efficiency and productivity improvements will provide further momentum for group earnings during the remainder of the year. Adverse exchange rate factors, higher raw material costs and less favourable refinancing conditions as a result of higher interest rates still remain the main challenges to be overcome as far as future earnings are concerned. In particular, the continuing weakness of the US dollar and the Japanese yen continue to have a negative impact on earnings. Despite these negative factors, the BMW Group maintains its business forecasts for the year and expects each of the segments to perform well for the year as a whole. Excluding the exceptional gain on the Rolls-Royce exchangeable bond, the BMW Group aims to achieve higher pre-tax group earnings in 2007 than in the previous year.

The BMW Group is confident of remaining on growth course in the coming years and of continuing to generate above-average returns for the sector.

Increase in the number of BMW Group cars sold
A total of 364,564 BMW, MINI and Rolls-Royce brand cars was handed over to customers in the third quarter 2007, 12.8% more than in the same quarter last year. This set a new sales volume record of 1,094,849 vehicles (+7.2%) for the nine-month period.

The sales volume performance of the BMW brand benefited in particular from favourable model life-cycle factors affecting the BMW 3 Series and the BMW X5. In total, 306,964 BMW brand vehicles were sold during the third quarter 2007, 10.8% more than in the previous year. The nine-month sales volume figure rose by 6.3% to a total of 929,379 units.

The third-quarter sales volume of MINI brand vehicles rose sharply, climbing by 25.2% to 57,315 units. For the period from January to September, the number of MINI brand vehicles sold went up by 12.3% to a total of 164,891 units, thus achieving a new high level for a nine-month period. Capacity expansion measures at the various MINI plants had resulted in restricted availability of MINI brand models during the first nine months of 2006.

The availability of the Rolls-Royce Phantom Drophead Coupé led to a sharp rise in the number of Rolls-Royce cars handed over to customers during the period under report. The third-quarter sales volume figure increased by 51.6% to 285 units. In total, 579 Rolls-Royce were handed over to customers during the first nine months of 2007, 21.9% more than in the corresponding period one year earlier.

Sales volume increases on nearly all markets
Car sales volumes of the BMW Group were well above the previous year's levels in virtually all markets, both on a quarterly and a nine-month basis. High growth rates were achieved on the Eastern European, Asian and Latin American markets. In India, where the BMW Group has been operating its own plant since March, the number of cars sold in the period from January to September 2007 rose fourfold to 823 units (+309.5%) compared to the previous year.

The BMW Group sold a total of 90,888 BMW, MINI and Rolls-Royce brand cars in North America during the third quarter 2007, surpassing the previous year's equivalent figure by 15.5%. A total of 269,491 cars were handed over to customers in the nine-month period from January to September, 8.8% more than in the previous year. The third-quarter sales volume in the USA, the BMW Group's largest single market, rose by 15.7% to 84,048 units. The nine-month figure of 248,489 units represented an increase of 8.0%. The BMW Group set a particularly impressive record in the USA with the BMW 3 Series Sedan: this model is now the most successful German-built imported car on the US automobile market.

The BMW Group's third-quarter sales volume in Europe* rose by 14.1% to 215,579 units. By the end of September, 651,550 units had been handed over to customers, 6.8% more than in the previous year. In Germany*, the BMW Group's largest single market in Europe, the third-quarter sales volume rose to 64,964 units, an increase of 2.8%. The nine-month sales volume of 202,211 units was 4.3% below the previous year's equivalent figure. The number of cars sold in the third quarter in the United Kingdom, the BMW Group's second largest market in Europe, went up by 5.7% to 47,310 units. The nine-month figure of 129,938 units represented an increase of 9.3%. Sales volumes also developed positively in other European countries during the first nine months of 2007. The increase in France was particularly pronounced, with the sales volume rising by 22.9% to 46,437 units. The number of cars sold in Italy during this period went up by 7.4% to 78,506 units, whilst the sales volume in Spain increased by 8.9% to 51,609 units.

The BMW Group's sales volume in Asia in the third quarter 2007 increased by 7.2% to 38,090 units. Sales volume for the nine-month period

* Previous year's figures restated in line with new allocation.

Automobiles		3rd quarter 2007	3rd quarter 2006	Change in %
Production	units	371,569	329,143	12.9
Deliveries to customers	units	364,564	323,064	12.8
Revenues	euro million	13,107	11,088	18.2
Profit before tax	euro million	704	611	15.2
Workforce at end of quarter		98,929	99,055	– 0.1

increased by 10.6% reaching 114,815 units. In total, 46,080 cars were handed over to customers in Japan during the period from January to September 2007, similar to the level one year earlier. The sales volume increase on the Chinese markets (China, Hong Kong and Taiwan) was particularly marked. In total, 43,285 units were sold there during the nine-month period, 31.8% more than in the previous year.

BMW 3 Series and BMW X5 particularly successful

New sales volume highs were registered for the BMW brand, both for the third quarter (306,964 units, +10.8%) and for the nine-month period (929,379 units, +6.3%).

With the revised models of the BMW 1 Series and the new three-door version now fully available on the markets, the third-quarter sales volume increased sharply. A growth rate of 16.9% was recorded with 44,048 units sold. A total of 114,330 units of the BMW 1 Series had been sold by the end of September, still 2.0% down on the sales volume recorded in the corresponding nine-month period last year.

The BMW 3 Series remained the strongest selling model. Overall, the BMW Group handed over 418,247 units to customers during the nine-month period, 11.5% more than in the previous year. The sales volume of the BMW 3 Series Sedan up to the end of September 2007 fell by 7.2% to 238,665 units and that of the BMW 3 Series Touring by 3.9% to 75,281 units. By contrast, the number of BMW 3 Series Coupés and Convertibles sold rose sharply. A total of 65,326 customers elected to buy the BMW 3 Series Coupé, 242.4% more than in the corresponding nine-month period last year. The sales volume of the BMW 3 Series Convertible, first introduced in spring 2007, almost doubled in the first nine months of 2007 to 38,912 units (+92.8%).

Following the introduction of the revised BMW 5 Series in spring 2007, the third-quarter sales volume for this model rose by 4.5% to 53,307 units. This brought the total of BMW 5 Series cars sold during the first nine months of the year to 165,109 units (–2.6%). This figure includes 130,292 units of the BMW 5 Series Sedan (–1.8%) and 34,817 of the BMW 5 Series Touring model (–5.7%).

Due to model life-cycle factors, the sales volume of the BMW 6 Series was down on the previous year's figure, since the model update did not become available to customers until the end of September 2007. In total, 14,325 units of the BMW 6 Series were sold during the first nine months of 2007, 12.4% fewer than in the corresponding period last year. The nine-month sales volume figure comprised 6,859 units of the BMW 6 Series Coupé (–23.7%) and 7,466 units of the BMW 6 Series Convertible (+1.5%).

In its sixth year since market introduction, the sales volume of the BMW 7 Series developed as expected in line with the normal model life-cycle. In total, 31,286 units of the BMW 7 Series were handed to customers during the period from January to September (–14.9%).

The sales volume of the Sports Activity Vehicle BMW X3 remained at a high level. The nine-month sales volume figure of 83,001 units was 4.4% up on the previous year.

With the new BMW X5 now available on all markets worldwide, sales figures have developed extremely well. The nine-month sales volume of 80,540 units represented a growth of 40.2% for the BMW X5.

Sales of the BMW Z4 for the nine-month period were lower than in the previous year. The number of cars sold fell by 1.2% to 22,541 units.

MINI brand sales volume well up

Whereas capacity expansion measures at the British MINI plants and the model change restricted availability of the MINI in 2006, a new sales volume record has been registered for the first nine months of 2007. In total, 164,891 units were sold during the period from January to September, 12.3% more than in the previous year. The third-quarter sales

Automobiles		1 January to 30 September 2007	1 January to 30 September 2006	Change in %
Production	units	1,160,247	1,028,949	12.8
Deliveries to customers	units	1,094,849	1,021,534	7.2
Revenues	euro million	38,782	35,262	10.0
Profit before tax	euro million	2,114	2,319	–8.8

volume figure jumped by as much as 25.2% to 57,315 units.

The MINI brand (including the Convertible) continues to generate a very high-value model mix. During the nine-month period from January to September, the MINI One, MINI Cooper and MINI Cooper S accounted for 14.0%, 55.6% and 30.4% respectively in sales volume terms.

The MINI Clubman will be available to customers from November 2007 onwards, thus adding a new model to the MINI product range and offering additional functionality as well as numerous personalised features. The new model is fitted with two doors which open outwards at the rear and an additional reverse-opening “clubdoor” on the right side of the vehicle.

First Phantom Drophead Coupés handed over to customers

A total of 285 Rolls-Royce brand vehicles were sold during the third quarter 2007, 51.6% more than one year earlier. The Phantom Drophead Coupé, with 83 units sold, made a strong contribution to this sharp third-quarter increase. The number of Rolls-Royce cars handed over to customers during the nine-month period rose by 21.9% to 579 units.

Car production volume well above previous year’s level

The number of BMW, MINI and Rolls-Royce brand cars manufactured during the third quarter 2007 increased by 12.9% to 371,569 units. The nine-month production volume of 1,160,247 units represented an increase of 12.8%.

The third-quarter production volume of BMW brand cars, at 308,514 units, was up by 8.6%. During the period from January to September 2007, 983,176 BMW vehicles left the various production sites, 10.6% more than in the previous year. The BMW site in Leipzig is to be expanded by the end of 2009, with the construction of a new pressings plant and component production facilities for door, bonnet and boot panels.

The number of MINI vehicles manufactured during the third quarter jumped by 40.0% to a total of 62,786 units. During the first nine months of the year, 176,379 MINI vehicles were manufactured, 26.8% more than one year earlier.

269 Rolls-Royce vehicles were manufactured during the third quarter 2007 at the British plant in Goodwood (+38.7%). The number of Rolls-Royce vehicles manufactured during the nine-month period was up by 18.3% to 692 units, including 130 units of the Phantom Drophead Coupé.

Third-quarter revenues and earnings of the Automobiles segment increased

The level of revenues generated by the Automobiles segment reflected the good sales volume performance. Third-quarter segment revenues grew slightly faster than sales volume, rising by 18.2% to euro 13,107 million. Segment revenues for the nine-month period rose by 10.0% to euro 38,782 million.

The profit before tax of the Automobiles segment for the third quarter 2007 improved by 15.2% to euro 704 million. External factors continued to have a significant adverse effect on pre-tax earnings. The continuing weakness of the US dollar and the Japanese yen, combined with the higher cost of raw materials, had a greater impact than expected on earnings for the first nine months of 2007. Costs were also incurred in conjunction with market launches and production start-ups for new models. At euro 2,114 million, the nine-month segment profit before tax was therefore 8.8% lower than in the previous year.

Workforce of Automobiles segment almost unchanged

The Automobiles segment had a worldwide workforce of 98,929 employees at 30 September 2007, practically unchanged from one year earlier (–0.1%).

Inconsistent market development
The international motorcycle markets performed inconsistently both on a third-quarter and a nine-month basis. The 500 cc plus motorcycles segment relevant for the BMW Group did not match the high level recorded in the previous year. Although there was a recovery in the third quarter (+1.0%), the sales volume for the first nine months of 2007 was still slightly down (–0.9%). The world's largest motorcycle market, the USA, contracted by 3.9% during the nine-month period up to September 2007. The motorcycle markets in Europe increased marginally over the first nine months of 2007 (+1.4%), whereby the development of the individual markets was not consistent. In Germany, the market contracted by 2.7% and in Italy by as much as 6.7%. By contrast, the markets in Spain and the United Kingdom grew by 16.0% and 6.6% respectively. The Japanese 500 cc plus motorcycles market contracted by 1.8% compared to the same period in 2006.

Motorcycles segment increases sales volume
In both the third quarter and nine-month period, the BMW Group's Motorcycles segment was generally able to avoid the negative trends prevailing on the motorcycle markets. In total, 23,549 BMW motorcycles were sold during the third quarter 2007, 1.4% more than in the previous year. The sales volume figure for the period from January to September was 82,779 units, 4.3% ahead of the corresponding period in 2006.

The number of motorcycles sold in Europe was marginally down on the previous year. The nine-month sales volume of 59,491 units represented a drop of 0.6%. The downturn was particularly sharp in Germany, where sales of 16,869 BMW motorcycles in the period from January to September 2007 declined by 9.0%. Sales volume figures continued their upward trend in Spain (8,129 units/+9.2%) and in Italy (12,702 units/+4.1%).

The contraction of the US motorcycles market was reflected in the sales volume performance of the Motorcycles segment. In total, 9,440 BMW motorcycles were sold during the first nine months of 2007, 5.9% fewer than in the corresponding period last year. The Motorcycles segment registered a sharp rise (+27.6%) in Japan with a sales volume of 2,579 units. This was largely attributable to the success of the BMW F 800 models.

R 1200 GS remains the best-selling model
The large long-distance enduro R 1200 GS remained the best-selling BMW motorcycle in the first nine months of 2007. Including the Adventure model variant, it leads the BMW sales rankings with 25,181 units sold. Since its market launch in March 2004, more than 100,000 units of this model have been handed over to customers. Second on the sales volume list, with 9,485 units sold, came the long-distance tourer R 1200 RT, followed by the F 650 GS enduro, which, including the Dakar model variant, achieved a sales volume of 8,638 units.

Acquisition of Husqvarna completed
The BMW Group completed the acquisition of the motorcycle manufacturer Husqvarna on 1 October, thereby purposefully expanding the Motorcycles segment's activities in the one-cylinder class.

The Husqvarna models are mainly intended for the competitive sports market. With this move, the BMW Group is rapidly expanding its product range with a view to increasing its appeal to younger buyers and to cover the off-road and supermoto segments. The acquisition will also give the Motorcycles seg-

Motorcycles		3rd quarter 2007	3rd quarter 2006	Change in %
Production*	units	20,299	22,279	–8.9
Deliveries to customers	units	23,549	23,230	1.4
Revenues	euro million	259	278	–6.8
Profit before tax	euro million	5	4	25.0
Workforce at end of quarter		2,785	2,819	–1.2

*including BMW G 650 X assembly at Piaggio S.p.A., Noale, Italy ment direct access to a worldwide sales network in the off-road segment.

100,000th R 1200 GS manufactured at the Berlin plant

In total, 20,299 BMW motorcycles were manufactured during the third quarter 2007, 8.9 % fewer than in the same quarter last year. This figure included 19,031 units manufactured at the BMW Berlin plant and 1,271 units manufactured by the cooperation partner, Piaggio S. p. A. in Noale, Italy. At the end of July, the 100,000th R 1200 GS came off the BMW Berlin plant production line. This is a record production figure for a single model (including the Adventure model variant) and has been achieved in less than four years.

In total, 88,866 BMW motorcycles (80,789 in Berlin and 8,077 in Noale) were manufactured during the first nine months of 2007 (+ 6.6 %).

Motorcycle segment earnings up on previous year

Third-quarter Motorcycle segment revenues totalled euro 259 million and were thus 6.8% below the figure achieved in the previous year. Revenues for the nine-month period edged up by 1.2 % to euro 1,022 million.

Segment profit before tax for the third quarter amounted to euro 5 million (+25.0%). The profit before tax for the nine-month period was euro 95 million, 6.7% ahead of the figure reported for the corresponding period in 2006.

Workforce of Motorcycles segment down slightly

The BMW Group had a workforce of 2,785 employees in the Motorcycles segment at 30 September 2007, slightly lower (– 1.2 %) than one year earlier.

Motorcycles		1 January to 30 September 2007	1 January to 30 September 2006	Change in %
Production*	units	88,866	83,350	6.6
Deliveries to customers	units	82,779	79,333	4.3
Revenues	euro million	1,022	1,010	1.2
Profit before tax	euro million	95	89	6.7

* including BMW G 650 X assembly at Piaggio S. p. A., Noale, Italy

Financial Services segment remains on growth course

The Financial Services segment continued to generate profitable growth in both the third quarter and the nine-month period despite challenging business conditions in the form of rising refinancing costs in the major regions and fierce competitive pressure on the markets. The segment's business volume in balance sheet terms at 30 September 2007 amounted to euro 49,491 million, an increase of 16.5 % over the same date last year. At the end of the third quarter, a total of 2,539,701 lease and credit contracts were in place with dealers and retail customers, 14.5 % more than one year earlier. The proportion of new BMW Group cars leased or financed by the Financial Services segment at 30 September 2007 was 44.7 %, surpassing the previous year's level by 2.5 percentage points.

Retail customer business growing dynamically

In total, 272,938 new credit and leasing contracts were signed with retail customers during the third quarter 2007, 24.6 % more than in the same quarter last year. Retail customer business also performed well on a nine-month basis. With 801,791 new contracts signed worldwide, the previous year's equivalent figure was surpassed by 16.9 %. Leasing business contributed to this growth with a 19.6 % increase in the number of contracts signed. Credit financing grew by 15.4 % for the nine-month period. Lease contracts and credit financing accounted for 37.8 % and 62.2 % of new business respectively.

In the area of used car financing, the number of new contracts increased by 11.3 %. The number of used BMW and MINI brand cars financed during the nine-month period was almost the same as in the previous year.

The total volume of all new credit and leasing contracts signed with retail customers during the first nine months of 2007 amounted to euro 21,009 million, 15.3 % more than in the previous year.

This strong performance in the area of new retail customer business is also reflected in the size of the overall contract portfolio. The number of retail customer contracts in place at 30 September 2007 was 2,343,515 contracts, 14.9 % more than one year earlier. Sharp growth was recorded in all regions. The number of retail customer contracts in Germany increased by 16.6 %, whilst the remaining European markets and the Asia/Oceania/Africa region grew by 12.8 % and 14.3 % respectively. The largest portion of the contract portfolio again related to the Americas region; the number of contracts in place there increased by 15.6 % to 771,487 units.

Dealer financing remains on growth course

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 reporting date stood at euro 7,464 million, 16.0 % higher than one year earlier.

Fleet business continues to grow

The contract portfolio for fleet business again grew strongly in the third quarter 2007, increasing in number by 56.4 % compared to one year earlier. At the reporting date, Alphabet entities managed a portfolio of 263,244 contracts. The volume increase compared to one year earlier, excluding the contracts taken over in conjunction with the acquisition of

Financial Services		3rd quarter 2007	3rd quarter 2006	Change in %
New contracts with retail customers		272,938	219,070	24.6
Revenues	euro million	3,569	2,703	32.0
Profit before tax	euro million	191	182	4.9
Workforce at end of quarter		4,123	3,400	21.3

Dekra SüdLeasing Services GmbH (now operating as BMW Fuhrparkmanagement Beteiligungs GmbH), was 20.9%. In July, Alphabet also commenced operations in Denmark and is therefore now represented across the whole of Scandinavia.

Strong competition continues to affect banking business

The Financial Services segment's deposit volume amounted to euro 5,776 million at 30 September 2007 and was thus 1.9% lower than one year earlier. By contrast, the number of securities custodian accounts increased to 32,075 during the period under report, 9.4% more than at the end of the same period last year.

Insurance business registering continuous growth

Demand remains brisk for insurance products, which are offered to customers in addition to finance and lease contracts. The insurance contract portfolio increased to 908,496 contracts at the end of the period under report.

Financial Services segment earnings above previous year's level

In line with the positive development of business, the Financial Services segment's profit before tax was higher than in the previous year. At euro 563 million, the segment's nine-month profit before tax surpassed the previous year by 5.2%.

Further rise in workforce of Financial Services segment

The Financial Services segment had a workforce of 4,123 employees at 30 September 2007, 21.3% more than one year earlier. This figure includes employees who joined the group in conjunction with acquisitions made by the BMW Group in both Germany and Malaysia during the second quarter 2007.

Financial Services		1 January to 30 September 2007	1 January to 30 September 2006	Change in %
New contracts with retail customers		801,791	685,844	16.9
Business volume*	euro million	49,491	42,488	16.5
Revenues	euro million	10,101	8,310	21.6
Profit before tax	euro million	563	535	5.2

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

BMW stock in the third quarter 2007

The third quarter was marked by a general sense of nervousness on the markets. The crisis on the US credit markets and the continued downward trend of property prices in the USA unsettled financial markets around the world. Against this background, stock markets were unable to continue the good performance seen since the beginning of the year. After registering some sharp increases during the first two quarters of 2007, the leading German stock index, the DAX, lost ground towards the end of the period under report. The index closed at 7,861.51 points at the end of the quarter, representing a drop of 1.4 % against its opening level at the beginning of the third quarter 2007.

The US dollar remained on the weak side during the third quarter, moving at rates in the range of US dollar 1.34 – 1.43 to one euro. Compared to the closing exchange rate at the end of the previous quarter, the US currency lost 4.7 % in value.

Export-orientated automobile stocks performed well during the quarter under report despite the uncertainties prevailing on the financial markets. The Prime Automobile Performance Index was able to steer clear of the volatility of the market as a whole and to outperform the general index. It closed on 28 September 2007 at 825.06 points, 6.3 % higher than its closing level at the end of the second quarter 2007.

In comparison with previous quarters, BMW common stock performed almost exactly in line with BMW preferred stock. BMW common stock closed at euro 45.23 at the end of the quarter under report. This drop of euro 2.78 or 5.8 % against its price at the end of the second quarter corresponded more or less to the performance of the market as a whole. The price of BMW preferred stock was euro 2.60 down during the third quarter, falling by 6.4 % on low trading volumes.

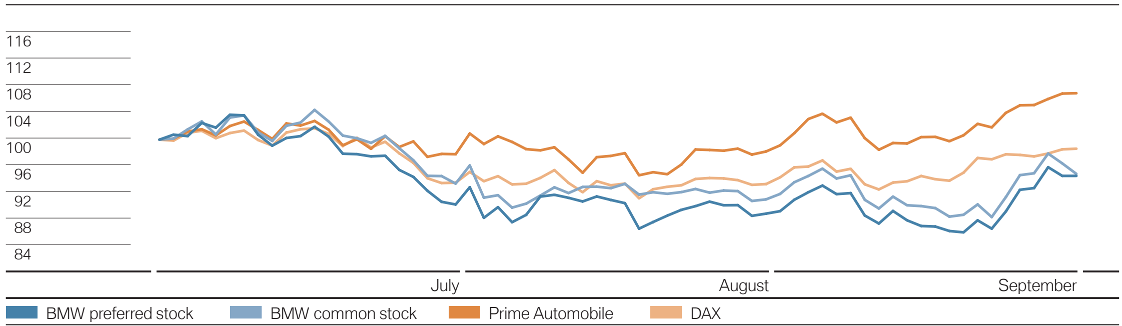
BMW Group again sector leader in the Dow Jones Sustainability World Index

For the third time in succession, the BMW Group was the sector leader in the Dow Jones Sustainability World Index and therefore holds the title as the world's most sustainable automobile manufacturer. In order to be included in the index, general sustainability criteria and sector-specific challenges such as climate change are taken into account.

The Dow Jones Sustainability Index was created in 1999 as the first global sustainability index and has since then been published annually by the SAM Group, based in Zurich, in cooperation with Dow Jones Indexes and STOXX Limited. The BMW Group is the only enterprise from the automobile sector which has been represented continuously in these important sustainable business indices since their creation.

The BMW Group keeps the public informed of its commitment and the progress made in the field of sustainable business in its Sustainable Value Report, which is published once every two years. The current Sustainable Value Report 2007/2008 was presented to the public in mid-September to coincide with the IAA. The report can be downloaded from the internet at www.bmwgroup.com/sustainability. A printed version can also be ordered at that address.

Development of BMW stock compared to stock exchange indices
(Index: 29.6.2007 = 100)



Earnings performance for the third quarter 2007

Third-quarter group revenues increased by 19.2% to euro 13,778 million. External revenues of the Automobiles segment and of the Financial Services segment were respectively 17.3% and 29.3% higher than in the same quarter last year. External revenues of the Motorcycles segment fell by 6.5% compared to the third quarter 2006. Revenues from other activities of the Group amounted to euro 47 million and related mainly to the softlab Group. The comparable figure for the same quarter last year was euro 46 million.

Cost of sales increased by 22.2% to euro 10,902 million, rising therefore at a faster rate than revenues. This was due to the negative impact of external factors caused by exchange rate fluctuations and high raw material prices. The third-quarter gross profit in absolute terms increased by 9.0% to euro 2,876 million and the gross profit percentage was 20.9% (third quarter 2006: 22.8%). The gross profit margin of Industrial operations fell marginally by 0.8 percentage points to 19.2% and that of Financial operations fell by 1.7 percentage points to 10.1%.

The increase in sales and administrative costs attributable to model life-cycle and market engagement costs is, as expected, tailing off by comparison with previous quarters. The third-quarter increase was 4.3%. Sales and administrative costs represented 8.9% (third quarter 2006: 10.2%) of revenues.

Research and development costs increased sharply compared to the previous year. This is mainly due to the increased expenditure on measures aimed at reducing CO_2 emissions and to the higher level of depreciation expense. Third-quarter research and development costs represented 5.2% of revenues, unchanged compared to the previous year. They include amortisation of capitalised development costs amounting to euro 283 million (third quarter 2006: euro 238 million). Total research and development costs for the third quarter 2007 amounted to euro 736 million (third quarter 2006: euro 737 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. This results in a third quarter research and development expenditure ratio of 5.3% (third quarter 2006: 6.4%). Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs amounted to euro 924 million (third quarter 2006: euro 847 million).

The positive net amount from other operating income and expenses increased by euro 23 million compared to the third quarter last year, mainly as a result of the higher level of income from the reversal of provisions.

The financial result for the third quarter 2007 deteriorated by euro 46 million compared to the same quarter last year, reflecting unfavourable changes in net interest expense (euro 19 million), the result from investments (euro 22 million), the result from equity accounted investments (euro 3 million) and sundry other financial result (euro 2 million).

Despite the adverse factors described above, the third-quarter profit before tax was up 6.3% against the previous year. The pre-tax return on sales was 5.6% (third quarter 2006: 6.2%).

The income tax expense decreased sharply, and in line with expectations, as a result of the first-time

Revenues by segment in the 3rd quarter	Revenues with third parties		Revenues with other segments		Total revenues	
in euro million	2007	2006	2007	2006	2007	2006
Automobiles	10,331	8,805	2,776	2,283	13,107	11,088
Motorcycles	259	277	–	1	259	278
Financial Services	3,141	2,429	428	274	3,569	2,703
Reconciliations	47	46	– 3,204	– 2,558	– 3,157	– 2,512
Group	**13,778**	**11,557**	**–**	**–**	**13,778**	**11,557**

inclusion of the impact of the German Business Tax Reform Act 2008. The BMW Group recorded a net profit of euro 803 million for the third quarter 2007, euro 351 million or 77.7% higher than the result posted for the same quarter last year. For the third quarter 2007, the BMW Group generated earnings per share of common stock and preferred stock of euro 1.22 (third quarter 2006: euro 0.69).

Earnings performance for the first nine months of 2007

Nine-month group revenues rose by 11.1% to euro 40,412 million. Excluding the effect of currency fluctuations, the increase was 14.0%. Within group revenues, external revenues of the Automobiles and Financial Services segments were 9.1% and 20.1% above those of the corresponding period in 2006. External revenues of the Motorcycles segment for the nine-month period increased slightly (+1.7%). Revenues from other activities of the Group amounted to euro 146 million and related mainly to the softlab Group. The comparable figure for the corresponding nine-month period last year was euro 140 million.

Cost of sales amounted to euro 31,468 million, with the increase of 12.1% only marginally higher than the increase in revenues. The nine-month gross profit figure was therefore 7.7% ahead of the previous year. The gross profit percentage was 22.1% (first nine months 2006: 22.8%). The gross profit margin of Industrial operations was 20.0% (first nine months 2006: 20.3%). The gross profit percentage of Financial operations fell by 0.5 percentage points to 10.6%.

Sales and administrative costs increased by 9.0% compared to the corresponding period last year and represent 9.8% (first nine months 2006: 10.0%) of revenues.

Research and development costs were 21.1% higher than in the first nine months of 2006, and represent 5.4% (first nine months 2006: 5.0%) of revenues. This is mainly due to the increased expenditure on measures aimed at reducing CO_2 emissions and to the higher level of depreciation expense. These figures include amortisation of capitalised development costs amounting to euro 800 million (first nine months 2006: euro 608 million). Total research and development costs for the first nine months of 2007 amounted to euro 2,299 million (first nine months 2006: euro 2,174 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. The research and development expenditure ratio for the first nine months of 2007 was 5.7% (first nine months 2006: 6.0%). Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs amounted to euro 2,679 million (first nine months 2006: euro 2,354 million).

The positive net amount from other operating income and expenses also decreased compared to one year earlier on a nine-month basis, mainly due to the lower level of gains on foreign currency transactions and the impact of first-time consolidations.

The financial result was a net expense of euro 222 million, which represented a deterioration of euro 439 million compared to the corresponding period last year. As previously mentioned, earnings for the first nine months of 2006 included a gain of euro 375 million resulting from the partial settlement of the exchangeable bond option relating to the BMW Group investment in Rolls-Royce plc, London. Further exchangeable bond options were settled during the first nine months of 2007, giving rise to a gain

Revenues by segment for the period from 1 January to 30 September in euro million	Revenues with third parties 2007	2006	Revenues with other segments 2007	2006	Total revenues 2007	2006
Automobiles	30,439	27,894	8,343	7,368	38,782	35,262
Motorcycles	1,017	1,000	5	10	1,022	1,010
Financial Services	8,810	7,334	1,291	976	10,101	8,310
Reconciliations	146	140	–9,639	–8,354	–9,493	–8,214
Group	**40,412**	**36,368**	**–**	**–**	**40,412**	**36,368**

of euro 72 million. The fair value measurement of the remaining exchangeable bond option obligation resulting from the BMW Group's investment in Rolls-Royce plc, London, resulted in an expense of euro 6 million for the nine-month period, which is included in the line item "Sundry other financial result". The equivalent expense included in the financial result for the first nine months of 2006 was euro 15 million. The result from other financial instruments deteriorated in comparison with the corresponding nine-month period last year. Within the financial result, the result from equity accounted investments decreased by euro 10 million and the result from investments by euro 22 million. Net interest expense improved by euro 11 million.

The profit before tax for the nine-month period fell by 17.4% to euro 2,682 million. Excluding the impact of the partial settlement of the exchangeable bond on Rolls-Royce plc, London, shares and the fair market loss on the option obligation, the profit before tax fell by only 9.4% to euro 2,616 million. The pre-tax return on sales was 6.6% (first nine months 2006: 8.9%). Excluding the gain on the exchangeable bond, the pre-tax return on sales was 6.5% (first nine months 2006: 7.9%).

The income tax expense decreased by euro 522 million. This is primarily attributable to the fact that the effect of the Business Tax Reform Act 2008, adopted by the German Bundesrat (Federal Council) on 6 July 2007, is included for the first time. The effective tax rate of 20.1% is significantly lower than the previous year's equivalent level (32.7%). This will result in a significant reduction in net deferred tax liabilities for the financial year 2007. The BMW Group recorded a net profit of euro 2,143 million for the first nine months of 2007, euro 44 million or 2.0% lower than one year earlier.

For the first nine months of 2007, the BMW Group generated earnings per share of common stock of euro 3.27 (first nine months 2006: euro 3.33) and earnings per share of preferred stock of euro 3.28 (first nine months 2006: euro 3.34).

Earnings performance by segment

Third-quarter revenues of the Automobiles segment increased by 18.2%, and the third-quarter profit before tax improved by 15.2%. Segment revenues for the nine-month period rose by 10.0%, whilst segment profit fell by 8.8% to euro 2,114 million.

Third-quarter revenues of the Motorcycles segment decreased by 6.8%. Ongoing efficiency improvements allowed the segment result to improve. Segment revenues for the nine-month period, at euro 1,022 million, were up by 1.2%. The nine-month segment profit before tax, at euro 95 million, improved by 6.7%.

Third-quarter revenues of the Financial Services segment increased by 32.0%. The third-quarter segment profit before tax was up 4.9% thanks to the higher business volume. Nine-month segment revenues and segment result were 21.6% and 5.2% ahead of the comparable figures for 2006.

Profit before tax by segment in euro million	3rd quarter 2007	3rd quarter 2006	1 January to 30 September 2007	1 January to 30 September 2006
Automobiles	704	611	2,114	2,319
Motorcycles	5	4	95	89
Financial Services	191	182	563	535
Reconciliations	–135	–77	–90	305
Profit before tax*	**765**	**720**	**2,682**	**3,248**
Income taxes	38	–268	–539	–1,061
Net profit	**803**	**452**	**2,143**	**2,187**

* Profit before tax for the first nine months of 2006 included a gain of euro 375 million arising from the partial settlement of the exchangeable bond on shares in Rolls-Royce plc, London.

Reconciliations to the group profit before tax were negative in the third quarter 2007, with a net expense of euro 135 million (third quarter 2006: net expense of euro 77 million). Reconciliations to the group profit before tax for the nine-month period gave rise to a negative net result of euro 90 million, a deterioration of euro 395 million compared to the corresponding period last year. This was largely due to the higher gain recognised in the previous year on the partial settlement of the exchangeable bond on shares in Rolls-Royce plc, London.

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 nine months of the financial years 2006 and 2007, 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 nine months increased by euro 355 million to euro 7,881 million (first nine months 2006: euro 7,526 million).

The cash outflow for investing activities for the nine-month period amounted to euro 12,065 million and was therefore euro 3,045 million higher than one year earlier. Capital expenditure on intangible assets and property, plant and equipment resulted in the cash outflow for investing activities increasing by euro 187 million compared to the previous year. Cash outflow in conjunction with the net investment in leased products and receivables from sales financing increased by euro 2,889 million. 65.3% (first nine months 2006: 83.4%) 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 162.8% (first nine months 2006: 150.9%) 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 3,014 million from bond issues (first nine months 2006: euro 4,717 million) and outflows for repayments of euro 1,573 million (first nine months 2006: euro 3,200 million). The cash inflow from financing activities totalling euro 4,706 million arises in the first nine months of 2007 primarily from the issue of bonds and asset-backed financing instruments as well as from an increase in liabilities to banks. 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 501 million (first nine months 2006: decrease of euro 248 million).

Net interest-bearing assets relating to Industrial operations including receivables from Financial operations amounted to euro 6,612 million at 30 September 2007. This represents an increase of euro 1,227 million since 31 December 2006. Net interest-bearing assets relating to Industrial operations comprise cash and cash equivalents (euro 1,548 million), marketable securities relating to Industrial operations (euro 2,074 million) and receivables from Financial operations (euro 4,823 million) less financial liabilities relating to Industrial operations. Excluding interest and currency derivatives, the latter amounts to euro 1,833 million.

Net assets

The balance sheet total of the BMW Group increased by euro 8,268 million or 10.5% compared to 31 December 2006. Adjusted for changes in exchange rates, the balance sheet total would have increased by 12.9%. The main reasons for this increase on the assets side of the balance sheet were leased-out products (+20.1%), inventories (+28.6%) and receivables from sales financing (+9.0%). In the opposite direction, other assets fell by 10.1%. On the equity and liabilities side of the balance sheet, the increase was due to the increase in equity (+9.3%), financial liabilities (+14.7%) and trade payables (+24.2%). By contrast, pension provisions decreased by 8.5%.

Other investments decreased mainly as a result of the further settlement of the exchangeable bond on Rolls-Royce plc, London, shares.

Leased-out products increased by euro 2,745 million. Excluding the effect of currency fluctuations, the increase would have been euro 571 million higher. Receivables from sales financing were up by

9.0% to euro 33,104 million due to the expanded business volumes.

Compared to 31 December 2006, inventories increased by euro 1,940 million to euro 8,734 million. This was due to seasonal factors.

Group equity increased primarily as a result of the net profit for the period. Within group equity, accumulated other equity increased by euro 137 million. The increase in interest rates gave rise to actuarial gains of euro 323 million (net of deferred tax) on pension obligations.

By contrast, the fair value measurement of securities fell by euro 118 million, mainly as a result of the partial settlement of the exchangeable bond on Rolls-Royce plc, London, shares. Translation differences reduced accumulated other equity by euro 192 million. The fair values of derivative financial instruments increased by euro 124 million.

The equity ratio of the BMW Group fell overall by 0.2 percentage points to 24.0%. The equity ratio for Industrial operations was 42.1% (31 December 2006: 40.6%). The equity ratio for Financial operations was 9.7%, which was 0.7 percentage points lower than at 31 December 2006.

Other provisions, at euro 5,279 million, were euro 257 million below their level at 31 December 2006. The reduction was mainly due to lower obligations for ongoing operational expenses and to lower personnel-related obligations. Financing liabilities increased in the nine-month period mainly as a result of the higher level of bonds, liabilities to banks and asset-backed financing transactions.

Other liabilities, at euro 6,414 million, were euro 558 million higher than at 31 December 2006, mainly due to an increase in accruals and deferred income.

Interim Group Financial Statements
Group and sub-group Income Statements for the 3rd quarter

in euro million	Notes	Group		Industrial operations[1]		Financial operations[1]	
		2007	2006	2007	2006	2007	2006
Revenues	[5]	13,778	11,557	13,420	11,416	3,665	2,817
Cost of sales	[6]	–10,902	–8,918	–10,843	–9,134	–3,294	–2,484
Gross profit		**2,876**	**2,639**	**2,577**	**2,282**	**371**	**333**
Sales and administrative costs	[7]	–1,228	–1,177	–1,076	–1,051	–155	–130
Research and development costs	[8]	–723	–605	–723	–605	–	–
Other operating income	[9]	144	110	129	73	32	44
Other operating expenses	[9]	–96	–85	–86	–67	–31	–28
Profit before financial result		**973**	**882**	**821**	**632**	**217**	**219**
Result from equity accounted investments	[10]	–1	2	–1	2	–	–
Other financial result	[11]	–207	–164	–69	–41	–100	–73
Financial result		–208	–162	–70	–39	–100	–73
Profit before tax		**765**	**720**	**751**	**593**	**117**	**146**
Income taxes	[12]	38	–268	120	–225	–85	–53
Net profit		**803**	**452**	**871**	**368**	**32**	**93**
Attributable to minority interest		3	3	3	3	–	–
Attributable to shareholders of BMW AG		**800**	**449**	**868**	**365**	**32**	**93**
Earnings per share of common stock in euro	[13]	1.22	0.69				
Earnings per share of preferred stock[2] in euro	[13]	1.22	0.69				

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 Income Statements for the period from 1 January to 30 September

in euro million	Notes	Group 2007	Group 2006	Industrial operations [1] 2007	Industrial operations [1] 2006	Financial operations [1] 2007	Financial operations [1] 2006
Revenues	[5]	40,412	36,368	39,957	36,417	10,373	8,582
Cost of sales	[6]	–31,468	–28,062	–31,970	–29,025	–9,275	–7,631
Gross profit		**8,944**	**8,306**	**7,987**	**7,392**	**1,098**	**951**
Sales and administrative costs	[7]	–3,946	–3,620	–3,507	–3,254	–442	–380
Research and development costs	[8]	–2,195	–1,812	–2,195	–1,812	–	–
Other operating income	[9]	413	465	326	371	130	122
Other operating expenses	[9]	–312	–308	–248	–265	–116	–76
Profit before financial result		**2,904**	**3,031**	**2,363**	**2,432**	**670**	**617**
Result from equity accounted investments	[10]	2	12	2	12	–	–
Other financial result	[11]	–224	205	–58	333	–55	–29
Financial result		–222	217	–56	345	–55	–29
Profit before tax		**2,682**	**3,248**	**2,307**	**2,777**	**615**	**588**
Income taxes	[12]	–539	–1,061	–352	–911	–240	–196
Net profit		**2,143**	**2,187**	**1,955**	**1,866**	**375**	**392**
Attributable to minority interest		6	4	6	4	–	–
Attributable to shareholders of BMW AG		**2,137**	**2,183**	**1,949**	**1,862**	**375**	**392**
Earnings per share of common stock in euro	[13]	3.27	3.33				
Earnings per share of preferred stock [2] in euro	[13]	3.28	3.34				

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 30.9.2007	Group 31.12.2006	Industrial operations* 30.9.2007	Industrial operations* 31.12.2006	Financial operations* 30.9.2007	Financial operations* 31.12.2006
Intangible assets	[14]	5,547	5,312	5,426	5,276	121	36
Property, plant and equipment	[15]	11,027	11,285	11,002	11,260	25	25
Leased products	[16]	16,387	13,642	276	254	19,242	16,364
Investments accounted for using the equity method	[17]	47	60	47	60	–	–
Other investments	[17]	277	401	258	388	19	13
Receivables from sales financing	[18]	19,614	17,865	–	–	19,614	17,865
Financial assets	[19]	1,114	816	74	61	1,040	755
Deferred tax	[20]	741	755	1,165	1,192	–1,870	–1,828
Other assets	[21]	436	378	1,022	875	341	255
Non-current assets		**55,190**	**50,514**	**19,270**	**19,366**	**38,532**	**33,485**
Inventories	[22]	8,734	6,794	8,725	6,784	9	10
Trade receivables		2,517	2,258	2,469	2,214	48	44
Receivables from sales financing	[18]	13,490	12,503	–	–	13,490	12,503
Financial assets	[19]	3,319	3,134	2,285	2,348	1,034	786
Current tax	[20]	292	246	276	222	16	24
Other assets	[21]	1,946	2,272	5,381	5,574	814	772
Cash and cash equivalents		1,837	1,336	1,548	1,235	289	101
Current assets		**32,135**	**28,543**	**20,684**	**18,377**	**15,700**	**14,240**
Total assets		**87,325**	**79,057**	**39,954**	**37,743**	**54,232**	**47,725**
Total assets adjusted for asset backed financing transactions		81,703	74,556	–	–	48,610	43,224

*before consolidation of transactions between the sub-groups

Equity and liabilities in euro million	Notes	Group 30.9.2007	 31.12.2006	Industrial operations* 30.9.2007	 31.12.2006	Financial operations* 30.9.2007	 31.12.2006
Subscribed capital		654	654				
Capital reserves		1,911	1,911				
Revenue reserves		19,800	18,121				
Accumulated other equity		–1,423	–1,560				
Treasury shares		–34	–				
Minority interest		9	4				
Equity	[23]	**20,917**	**19,130**	**16,837**	**15,315**	**5,286**	**4,965**
Pension provisions		4,590	5,017	4,556	4,983	34	34
Other provisions	[24]	2,800	2,865	2,503	2,462	297	403
Deferred tax	[25]	2,888	2,758	2,234	2,012	369	464
Financial liabilities	[26]	21,478	18,800	715	882	20,763	17,918
Other liabilities	[27]	1,986	1,932	1,487	1,458	1,960	1,732
Non-current provisions and liabilities		**33,742**	**31,372**	**11,495**	**11,797**	**23,423**	**20,551**
Other provisions	[24]	2,479	2,671	2,286	2,489	218	207
Current tax	[25]	784	567	639	437	145	130
Financial liabilities	[26]	20,334	17,656	1,285	1,407	19,049	16,249
Trade payables		4,641	3,737	3,986	3,288	655	449
Other liabilities	[27]	4,428	3,924	3,426	3,010	5,456	5,174
Current provisions and liabilities		**32,666**	**28,555**	**11,622**	**10,631**	**25,523**	**22,209**
Total equity and liabilities		**87,325**	**79,057**	**39,954**	**37,743**	**54,232**	**47,725**
Total equity and liabilities adjusted for asset backed financing transactions		81,703	74,556	–	–	48,610	43,224

* 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 30 September

in euro million	Group	
	2007	2006
Net profit	2,143	2,187
Depreciation of leased products	3,521	2,864
Depreciation and amortisation of tangible, intangible and investment assets	2,685	2,394
Change in provisions	100	– 1
Change in deferred tax	12	301
Change in net current assets and other items	– 580	– 219
Cash inflow from operating activities	**7,881**	**7,526**
Investment in intangible assets and property, plant and equipment	– 2,804	– 2,617
Net investment in leased products and receivables from sales financing	– 9,250	– 6,361
Other	– 11	– 42
Cash outflow from investing activities	**– 12,065**	**– 9,020**
Cash inflow / outflow from financing activities	**4,706**	**1,171**
Effect of exchange rate and changes in composition of group on cash and cash equivalents	**– 21**	**75**
Change in cash and cash equivalents	**501**	**– 248**
Cash and cash equivalents at 1 January	1,336	1,621
Cash and cash equivalents at 30 September	**1,837**	**1,373**

Industrial operations 2007	Industrial operations 2006	Financial operations 2007	Financial operations 2006	
1,955	1,866	375	392	Net profit
3	3	3,233	2,693	Depreciation of leased products
2,668	2,362	17	32	Depreciation and amortisation of tangible, intangible and investment assets
251	–85	–151	84	Change in provisions
–72	306	136	41	Change in deferred tax
–329	–454	–205	286	Change in net current assets and other items
4,476	**3,998**	**3,405**	**3,528**	**Cash inflow from operating activities**
–2,701	–2,564	–103	–53	Investment in intangible assets and property, plant and equipment
–25	–59	–9,225	–6,302	Net investment in leased products and receivables from sales financing
–24	–26	13	–16	Other
–2,750	**–2,649**	**–9,315**	**–6,371**	**Cash outflow from investing activities**
–1,403	**–1,751**	**6,109**	**2,922**	**Cash inflow/outflow from financing activities**
–10	**93**	**–11**	**–18**	**Effect of exchange rate and changes in composition of group on cash and cash equivalents**
313	**–309**	**188**	**61**	**Change in cash and cash equivalents**
1,235	1,372	101	249	Cash and cash equivalents at 1 January
1,548	**1,063**	**289**	**310**	**Cash and cash equivalents at 30 September**

Statement of Changes in Equity

in euro million	Subscribed capital	Capital reserves	Revenue reserves	Accumulated other equity				Treasury shares	Minority interest	Total
				Translation differences	Fair value measurement of marketable securities	Derivative financial instruments	Pension obligations			
31 December 2005	**674**	**1,971**	**16,351**	**–646**	**562**	**29**	**–1,462**	**–506**	**–**	**16,973**
Acquisition of treasury shares	–	–	–	–	–	–	–	–282	–	–282
Withdrawal of shares from circulation	–20	–60	–679	–	–	–	–	759	–	–
Dividends paid	–	–	–419	–	–	–	–	–	–	–419
Translation differences	–	–	–	–169	–	–2	–5	–	–	–176
Financial instruments	–	–	–	–	–375	130	–	–	–	–245
Actuarial gains and losses on pension obligations	–	–	–	–	–	–	305	–	–	305
Deferred tax on transactions recognised directly in equity	–	–	–	–	1	–37	–117	–	–	–153
Net profit 30 September 2006	–	–	2,183	–	–	–	–	–	4	2,187
Other changes	–	–	–	–	–	–	–	–	–2	–2
30 September 2006	**654**	**1,911**	**17,436**	**–815**	**188**	**120**	**–1,279**	**–29**	**2**	**18,188**
31 December 2006	**654**	**1,911**	**18,121**	**–837**	**214**	**178**	**–1,115**	**–**	**4**	**19,130**
Acquisition of treasury shares	–	–	–	–	–	–	–	–34	–	–34
Dividends paid	–	–	–458	–	–	–	–	–	–	–458
Translation differences	–	–	–	–209	–	2	15	–	–1	–193
Financial instruments	–	–	–	–	–118	178	–	–	–	60
Actuarial gains and losses on pension obligations	–	–	–	–	–	–	631	–	–	631
Deferred tax on transactions recognised directly in equity	–	–	–	–	–	–54	–308	–	–	–362
Net profit 30 September 2007	–	–	2,137	–	–	–	–	–	6	2,143
30 September 2007	**654**	**1,911**	**19,800**	**–1,046**	**96**	**304**	**–777**	**–34**	**9**	**20,917**

See also Note [23]

Interim Group Financial Statements
Statement of Income and Expenses recognised directly in Equity for the period from 1 January to 30 September

in euro million	2007	2006
Fair value gains and losses on available-for-sale investments recognised directly in equity	– 118	– 375
Fair value gains and losses on financial instruments used for hedging purposes recognised directly in equity	180	128
Exchange differences arising on the translation of foreign subsidiaries	– 209	– 169
Actuarial gains and losses on defined benefit pension and similar obligations	646	300
Deferred tax on gains and losses recognised directly in equity	– 362	– 153
Gains and losses recognised directly in equity	**137**	**– 269**
Profit after tax attributable to shareholders of BMW AG	**2,137**	**2,183**
Aggregate amount of net profit for period and gains and losses recognised directly in equity	**2,274**	**1,914**

Interim Group Financial Statements

Notes to the Interim Group Financial Statements to 30 September 2007
Accounting Principles and Policies

[1] Basis of preparation

The Group financial statements of BMW AG at 31 December 2006 were drawn up in accordance with International Financial Reporting Standards (IFRSs), as applicable in the EU. The interim Group financial statements (Interim Report) at 30 September 2007, 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 as in the 2006 Group financial statements. All Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which are mandatory at 30 September 2007 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 about the Group's accounting principles and policies is contained in the BMW Group financial statements at 31 December 2006. 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 in the Group financial statements, 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 operations 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 30 September 2007 totalled euro 5.6 billion (31 December 2006: euro 4.5 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.

[2] Consolidated companies

The BMW Group financial statements for the third quarter 2007 include, besides BMW AG, 47 German and 152 foreign subsidiaries. This includes 17 special securities funds and 20 trusts (special purpose entities), almost all of which are used for asset backed financing.

One trust was consolidated for the first time in the third quarter 2007.

BMW Asia Pte. Ltd., Singapore, BMW Melbourne Pty. Ltd., Melbourne, BMW Sydney Pty. Ltd., Sydney, BMW Financial Services Danmark A/S, Kolding, BMW Renting (Portugal) Lda., Lisbon, BMW Acquisitions Ltda., São Paulo, BMW Financeira S. A. Credito, Financiamento e Investimento, São Paulo, BMW Leasing do Brasil, S. A., São Paulo, BMW Financial Services New Zealand Ltd., Auckland, BMW Fuhrparkmanagement Beteiligungs GmbH, Stuttgart, LHS Leasing- und Handelsgesellschaft Deutschland mbH, Stuttgart, and one trust were consolidated for the first time in the nine-month period ended 30 September 2007.

BMW Renting Iberica S. L., Madrid, (as a result of its merger into Alphabet Fleet Services España S. L., Madrid) and British Motor Holding Ltd., Bracknell, ceased to be consolidated companies during the nine-month period.

Compared to the third quarter last year, 11 German and foreign subsidiaries and three trusts were consolidated for the first time. In addition, three foreign subsidiaries and three trusts ceased to be consolidated companies.

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

[3] Business acquisitions and disposals

The acquisition of DEKRA SüdLeasing Services GmbH, Stuttgart, and its subsidiaries, LHS Leasing- und Handelsgesellschaft Deutschland mbH, Stuttgart, DSL Fleetservices GmbH, Stuttgart, LHS Autoland GmbH, Stuttgart, and MOBIDIG GmbH, Stuttgart, was completed on 2 April 2007. 100 % of the shares were acquired in each case. The name of DEKRA SüdLeasing Services GmbH, Stuttgart, has been changed to BMW Fuhrparkmanagement Beteiligungs GmbH, Stuttgart. This entity and its subsidiary, LHS Leasing- und Handelsgesellschaft Deutschland mbH, Stuttgart, were consolidated for the first time in the second quarter.

The provisional acquisition cost is euro 121 million. Based on the definitive purchase price allocation, the following carrying amounts and fair values were attributed to the assets and liabilities of the acquired companies at the acquisition date:

in euro million	Carrying amount	Fair value
Assets		
Intangible assets and property, plant and equipment	2	28
Leased products	515	515
Investments in subsidiaries	3	3
Receivables from sales financing	230	230
Other assets	15	15
Liabilities		
Provisions	23	23
Financial liabilities	699	699
Other liabilities	35	45
Net assets acquired	**8**	**24**
Acquisition cost		**121**
Goodwill		**97**
Allocation by segment:		
Automobiles		33
Financial Services		64

The following identifiable assets have been recognised and included in intangible assets, measured at fair value:
- contract portfolio
- customer relationships
- contract management system

These intangible assets are amortised systematically over the following useful lives:
- contract portfolio: 4 years
- customer relationships: 7 years
- contract management system: 5 years

The remainder of the surplus (euro 97 million) of the acquisition cost over the fair value of the identifiable net assets acquired is largely attributable to potential synergy benefits which will arise from the future growth of the group's fleet business.

BMW Fuhrparkmanagement Beteiligungs GmbH, Stuttgart, and LHS Leasing- und Handelsgesellschaft Deutschland mbH, Stuttgart, recorded a net loss of euro 1.3 million in the third quarter 2007. The net loss generated by these two entities since first-time consolidation amounts to euro 3.2 million.

Net revenues of the two entities since first-time consolidation amount to euro 231 million, including euro 118 million recorded in the third quarter.

In addition, after obtaining approval from the relevant local authorities, BMW Holding B.V., The Hague, acquired SimeLease (Malaysia) Sdn Bhd, Kuala Lumpur, and that entity's subsidiary, SimeCredit (Malaysia) Sdn Bhd, Kuala Lumpur, on 13 April 2007. The names of these entities have been changed to BMW Lease (Malaysia) Sdn Bhd, Kuala Lumpur, and BMW Credit (Malaysia) Sdn Bhd, Kuala Lumpur.

These entities are not material in terms of the group's earnings performance, financial position and net assets.

BMW Group's investment in TRITEC Motors Ltda., Campo Largo, was sold to the Chrysler Group on 11 July 2007 in line with agreements in place between the various parties.

[4] New financial reporting rules

(a) Financial reporting rules coming into force in the third quarter 2007

No new financial reporting rules came into force during the third quarter 2007.

(b) New financial reporting rules issued during the third quarter 2007

In the third quarter 2007, the International Financial Reporting Interpretations Committee issued Interpretation IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), which is mandatory for financial periods commencing on or after 1 January 2008.

The IASB also issued IAS 1 (Presentation of Financial Statements) in a revised version during the third quarter. The revised Standard is 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.

[5] Revenues

Revenues by activity comprise the following:

in euro million	3rd quarter 2007	3rd quarter 2006	1 January to 30 September 2007	1 January to 30 September 2006
Sales of products and related goods	10,520	9,021	31,251	28,711
Income from lease instalments	1,324	1,070	3,739	3,073
Sales of products previously leased to customers	1,076	754	2,991	2,524
Interest income on loan financing	632	504	1,756	1,418
Other income	226	208	675	642
Revenues	**13,778**	**11,557**	**40,412**	**36,368**

An analysis of revenues by business segment is shown in the segment information on pages 37 to 38.

[6] Cost of sales

Cost of sales in the third quarter include euro 2,863 million (third quarter 2006: euro 2,135 million) relating to financial services business. For the period from 1 January to 30 September 2007, euro 7,979 million (first nine months 2006: euro 6,556 million) relates to the financial services business.

[7] Sales and administrative costs

Sales costs in the third quarter amounted to euro 1,015 million (third quarter 2006: euro 963 million). For the first nine months of 2007, they amounted to euro 3,226 million (first nine months 2006: euro 2,953 million). Sales costs comprise mainly marketing, advertising and sales personnel costs.

Administrative costs in the third quarter and first nine months amounted to euro 213 million (third quarter 2006: euro 214 million) and euro 720 million (first nine months 2006: euro 667 million). These comprise expenses for administration which are not attributable to development, production or sales functions.

[8] Research and development costs

Third-quarter research and development costs amounting to euro 723 million (third quarter 2006: euro 605 million) comprise all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to euro 283 million (third quarter 2006: euro 238 million). Research and development costs for the first nine months of 2007 amounted to euro 2,195 million (first nine months 2006: euro 1,812 million). This includes amortisation on capitalised development costs of euro 800 million (first nine months 2006: euro 608 million).

[9] Other operating income and expenses

The main items included in other operating income and expenses are gains and losses from foreign currency fluctuations, income/expense arising from the reversal/allocation to provisions and gains arising on the disposal of intangible assets and property, plant and equipment.

[10] Result from equity accounted investments

The result from equity accounted investments in the third quarter was a net expense of euro 1 million (third quarter 2006: net profit of euro 2 million). For the nine-month period, the equivalent figure was a net profit of euro 2 million (first nine months 2006: euro 12 million). This includes the result of the joint venture, BMW Brilliance Automotive Ltd., Shenyang.

[11] Other financial result

in euro million	3rd quarter 2007	3rd quarter 2006	1 January to 30 September 2007	1 January to 30 September 2006
Result on investments	–6	16	–5	17
Net interest expense	–92	–73	–174	–185
Sundry other financial result	–109	–107	–45	373
Other financial result	**–207**	**–164**	**–224**	**205**

[12] Income taxes

Taxes on income comprise the following:

in euro million	3rd quarter 2007	3rd quarter 2006	1 January to 30 September 2007	1 January to 30 September 2006
Current tax expense	223	233	649	794
Deferred tax expense	–261	35	–110	267
Income taxes	**–38**	**268**	**539**	**1,061**

The effective tax rate for the third quarter was 20.1% (third quarter 2006: 32.7%).

The effective tax rate for the first nine months of 2007 includes, for the first time, the impact of the Business Tax Reform Act 2008 adopted by the German Bundesrat (Federal Council) on 6 July 2007.

[13] Earnings per share

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

		3rd quarter 2007	3rd quarter 2006	1 January to 30 September 2007	1 January to 30 September 2006
Profit attributable to the shareholders	euro million	800.2	448.9	2,137.1	2,183.4
Profit attributable to common stock	euro million (rounded)	737.3	413.3	1,968.4	2,010.9
Profit attributable to preferred stock	euro million (rounded)	62.9	35.6	168.7	172.5
Average number of common stock shares in circulation	number	601,995,196	601,995,196	601,995,196	602,617,165
Average number of preferred stock shares in circulation	number	51,446,162	51,446,162	51,446,162	51,446,162
Earnings per share of common stock	euro	**1.22**	**0.69**	**3.27**	**3.33**
Earnings per share of preferred stock	euro	**1.22**	**0.69**	**3.28**	**3.34**

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.

[14] 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 30 September 2007 amounted to euro 4,914 million (31 December 2006: euro 4,810 million). Expenditure for capitalised development costs in the first nine months was euro 904 million (first nine months 2006: euro 970 million). Amortisation amounted to euro 800 million (first nine months 2006: euro 608 million).

In addition, intangible assets include goodwill of euro 163 million (31 December 2006: euro 66 million). This comprises goodwill arising on earlier business acquisitions within the softlab Group and additions resulting from the acquisition of DEKRA SüdLeasing Services GmbH, Stuttgart, and LHS Leasing und Handelsgesellschaft Deutschland mbH, Stuttgart.

[15] **Property, plant and equipment**

Capital expenditure for property, plant and equipment in the first nine months of 2007 was euro 1,697 million (first nine months 2006: euro 1,572 million). The depreciation expense for the same period amounted to euro 1,807 million (first nine months 2006: euro 1,689 million).

[16] **Leased products**

Additions to leased products and depreciation thereon amounted to euro 7,726 million (first nine months 2006: euro 6,319 million) and euro 1,575 million (first nine months 2006: euro 1,216 million) respectively. Disposals amounted to euro 3,523 million (first nine months 2006: euro 2,916 million). The translation of foreign currency financial statements resulted in a net negative translation difference of euro 635 million (first nine months 2006: net negative translation difference of euro 548 million). First-time consolidations gave rise to net additions of euro 752 million.

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

Investments accounted for using the equity method relate to interests in the joint venture BMW Brilliance Automotive Ltd., Shenyang.

Other investments relate primarily to investments in non-consolidated subsidiaries and to equity investments in other entities.

[18] **Receivables from sales financing**

Receivables from sales financing totalling euro 33,104 million (31 December 2006: euro 30,368 million) relate to credit financing for retail customers and dealers and to finance leases.

Receivables from sales financing include euro 19,614 million (31 December 2006: euro 17,865 million) with a remaining term of more than one year.

[19] **Financial assets**

Financial assets comprise:

in euro million	30.9.2007	31.12.2006
Interest and currency derivatives	1,560	1,321
Marketable securities and investment funds	2,100	2,034
Loans to third parties	29	67
Other	744	528
Financial assets	**4,433**	**3,950**
thereof non-current	1,114	816
thereof current	3,319	3,134

The increase in interest and currency derivatives was attributable primarily to increases in fair values due to changed exchange rate parities with the US dollar.

[20] **Income tax assets**

Income tax assets can be analysed as follows:

30 September 2007 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	741	741
Current tax	175	117	292
Income tax assets	**175**	**858**	**1,033**

31 December 2006 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	755	755
Current tax	123	123	246
Income tax assets	**123**	**878**	**1,001**

[21] **Other assets**

in euro million	30.9.2007	31.12.2006
Other taxes	575	584
Receivables from subsidiaries	420	693
Receivables from other companies in which an investment is held	133	202
Prepayments	687	683
Sundry other assets	567	488
Other assets	**2,382**	**2,650**
thereof non-current	436	378
thereof current	1,946	2,272

[22] **Inventories**

Inventories comprise the following:

in euro million	30.9.2007	31.12.2006
Raw materials and supplies	790	689
Work in progress, unbilled contracts	936	911
Finished goods	6,034	4,280
Goods for resale	974	914
Inventories	**8,734**	**6,794**

The increase in finished goods was due to seasonal factors.

[23] **Equity**

The Group Statement of Changes in Equity is shown on page 26.

Number of shares issued

At 30 September 2007, common stock issued by BMW AG was divided into 601,995,196 shares with a par-value of one euro. Preferred stock issued by BMW AG was divided into 52,196,162 shares with a par-value of one euro, 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 from 15 May 2007 is valid until 14 November 2008. It has not yet been decided whether or the extent to which the authorisation will be used.

During the first nine months of 2007, the BMW Group acquired 750,000 shares of BMW preferred stock at an average price of euro 45.48 per share. It is intended to issue these shares to employees during the financial year 2007 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.

Equity attributable to shareholders

Equity attributable to shareholders of BMW AG at 30 September 2007 amounted to euro 20,908 million (31 December 2006: euro 19,126 million).

Equity attributable to minority interests amounted to euro 9 million (31 December 2006: euro 4 million). This includes a minority interest of euro 6 million in the results for the period (31 December 2006: euro 6 million).

[24] **Other provisions**

Other provisions, at euro 5,279 million (31 December 2006: euro 5,536 million) include primarily personnel-related obligations and obligations for on-going operational expenses.

Current provisions at 30 September 2007 amounted to euro 2,479 million (31 December 2006: euro 2,671 million).

[25] **Income tax liabilities**

30 September 2007 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,888	2,888
Current tax	419	365	784
Income tax liabilities	**419**	**3,253**	**3,672**

31 December 2006 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,758	2,758
Current tax	206	361	567
Income tax liabilities	**206**	**3,119**	**3,325**

Current tax liabilities of euro 784 million (31 December 2006: euro 567 million) comprises euro 665 million (31 December 2006: euro 479 million) for tax provisions and euro 119 million (31 December 2006: euro 88 million) for taxes payable.

[26] Financial liabilities

Financial liabilities include all obligations of the BMW Group relating to financing activities and comprise:

in euro million	30.9.2007	31.12.2006
Bonds	17,332	16,420
Liabilities to banks	6,994	4,288
Liabilities from customer deposits (banking)	5,776	5,781
Commercial paper	4,634	4,154
Asset backed financing transactions	5,622	4,501
Interest and currency derivatives	617	596
Other	837	716
Financial liabilities	**41,812**	**36,456**
thereof non-current	21,478	18,800
thereof current	20,334	17,656

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

[27] Other liabilities

Other liabilities comprise the following items:

in euro million	30.9.2007	31.12.2006
Other taxes	576	553
Social security	39	41
Advance payments from customers	390	278
Deposits received	151	143
Liabilities to subsidiaries	30	40
Liabilities to other companies in which an investment is held	4	–
Deferred income	2,735	2,577
Sundry other liabilities	2,489	2,224
Other liabilities	**6,414**	**5,856**
thereof non-current	1,986	1,932
thereof current	4,428	3,924

[28] 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 third quarter 2007, 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%) and TRITEC Motors Ltda., Campo Largo (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 third quarter 2007. 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, Bad Homburg v.d.H. which purchased vehicles from the BMW Group during the third quarter 2007. 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.

[29] **Segment information**

The activities of the various segments are described in the Group financial statements of BMW AG at 31 December 2006.

Segment information for the third quarter 2007 is as follows:

Segment information by business segment in euro million	Automobiles 2007	2006	Motorcycles 2007	2006	Financial Services 2007	2006	Reconciliations 2007	2006	Group 2007	2006
Revenues with third parties	10,331	8,805	259	277	3,141	2,429	47	46	13,778	11,557
Inter-segment revenues	2,776	2,283	–	1	428	274	–3,204	–2,558	–	–
Total revenues	**13,107**	**11,088**	**259**	**278**	**3,569**	**2,703**	**–3,157**	**–2,512**	**13,778**	**11,557**
Profit before financial result	788	631	7	7	176	186	2	58	973	882
Result from equity accounted investments	–1	2	–	–	–	–	–	–	–1	2
Other net financial result	–83	–22	–2	–3	15	–4	–137	–135	–207	–164
Profit before tax	**704**	**611**	**5**	**4**	**191**	**182**	**–135**	**–77**	**765**	**720**
Return on sales %	5.4	5.5	1.9	1.4	5.4	6.7	–	–	5.6	6.2

Segment information for the first nine months of 2007 is as follows:

Segment information by business segment in euro million	Automobiles 2007	Automobiles 2006	Motorcycles 2007	Motorcycles 2006	Financial Services 2007	Financial Services 2006	Reconciliations 2007	Reconciliations 2006	Group 2007	Group 2006
Revenues with third parties	30,439	27,894	1,017	1,000	8,810	7,334	146	140	40,412	36,368
Inter-segment revenues	8,343	7,368	5	10	1,291	976	–9,639	–8,354	–	–
Total revenues	**38,782**	**35,262**	**1,022**	**1,010**	**10,101**	**8,310**	**–9,493**	**–8,214**	**40,412**	**36,368**
Profit before financial result	2,273	2,336	102	96	545	542	–16	57	2,904	3,031
Result from equity accounted investments	2	12	–	–	–	–	–	–	2	12
Other net financial result	–161	–29	–7	–7	18	–7	–74	248	–224	205
Profit before tax	**2,114**	**2,319**	**95**	**89**	**563**	**535**	**–90**	**305**	**2,682**	**3,248**
Return on sales %	5.5	6.6	9.3	8.8	5.6	6.4	–	–	6.6	8.9

Financial calendar

Annual Report 2007	18 March 2008
Annual Accounts Press Conference	18 March 2008
Financial Analysts' Meeting	19 March 2008
Interim Report to 31 March 2008	29 April 2008
Annual General Meeting	8 May 2008
Interim Report to 30 June 2008	5 August 2008
Interim Report to 30 September 2008	4 November 2008

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