Interim Report
to 30 June 2007

Q2

Rolls-Royce
Motor Cars Limited

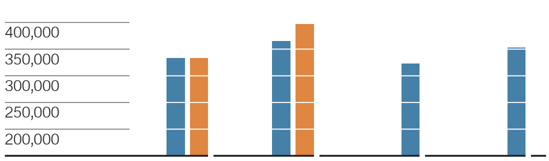
BMW Group

Interim Group Management Report
The BMW Group – an Overview

BMW Group in figures		2nd quarter 2007	2nd quarter 2006	Change in %
Vehicle production				
Automobiles	units	406,659	355,072	14.5
Motorcycles[1]	units	32,772	31,531	3.9
Deliveries to customers				
Automobiles	units	397,009	365,547	8.6
Motorcycles	units	36,201	37,052	– 2.3
Workforce at end of quarter		**107,079**	**106,150**	**0.9**
Operating cash flow	euro million	**1,545**	**2,522**	**– 38.7**
Revenues	euro million	**14,683**	**13,193**	**11.3**
Profit before tax	euro million	**1,065**	**1,232**	**– 13.6**
Thereof:				
Automobiles	euro million	801	947	– 15.4
Motorcycles	euro million	56	56	–
Financial Services	euro million	189	180	5.0
Reconciliations	euro million	19	49	– 61.2
Income taxes	euro million	**– 312**	**– 445**	**– 29.9**
Net profit	euro million	**753**	**787**	**– 4.3**
Earnings per share[2]	euro	**1.15/1.16**	**1.20/1.21**	**– 4.2/– 4.1**

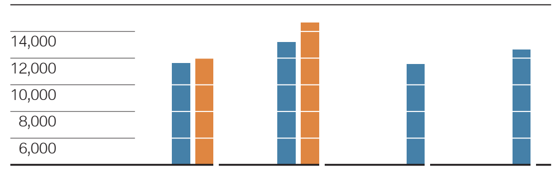
1] including BMW G 650 X assembly at Piaggio S.p.A., Noale, Italy
2] for common/preferred stock in accordance with IAS 33. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding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

Revenues
in euro million

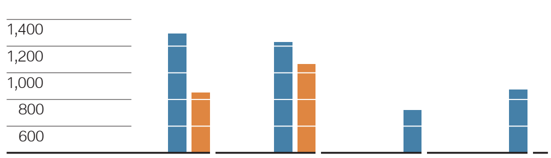


	Q1	Q2	Q3	Q4
2006	11,618	13,193	11,557	12,631
2007	11,951	14,683		

BMW Group in figures		1 January to 30 June 2007	1 January to 30 June 2006	Change in %
Vehicle production				
Automobiles	units	788,678	699,806	12.7
Motorcycles[1]	units	68,567	61,071	12.3
Deliveries to customers				
Automobiles	units	730,285	698,470	4.6
Motorcycles	units	59,230	56,103	5.6
Workforce at end of quarter		**107,079**	**106,150**	**0.9**
Operating cash flow	euro million	**2,798**	**3,743**	**– 25.2**
Revenues	euro million	**26,634**	**24,811**	**7.3**
Profit before tax[2]	euro million	**1,917**	**2,528**	**– 24.2**
Thereof:				
Automobiles	euro million	1,410	1,708	– 17.4
Motorcycles	euro million	90	85	5.9
Financial Services	euro million	372	353	5.4
Reconciliations	euro million	45	382	– 88.2
Income taxes	euro million	**– 577**	**– 793**	**– 27.2**
Net profit	euro million	**1,340**	**1,735**	**– 22.8**
Earnings per share[3]	euro	**2.05/2.06**	**2.64/2.65**	**– 22.3/– 22.3**

1] including BMW G 650 X assembly at Piaggio S.p.A., Noale, Italy
2] Profit before tax for the first half 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		

New sales volume record for the BMW Group
The BMW Group was again able to maintain its leading position on the international automobile markets in the second quarter 2007, recording rising sales volume figures. With 397,009 BMW, MINI and Rolls-Royce brand cars sold in the quarter, the BMW Group delivered 8.6% more cars to customers than one year earlier. The number of cars sold during the six-month period rose by 4.6% to 730,285 units.

Second-quarter motorcycle sales did not match the previous year's figure due to the fact that mild weather had caused some pre-seasonal buying in the first quarter 2007. The second-quarter motorcycles sales volume fell accordingly by 2.3% to 36,201 units. Overall, however, 59,230 motorcycles were sold during the first half of the year, corresponding to a volume increase of 5.6% and representing a new high level for a six-month period.

The BMW Group's financial services business continued to perform well. The number of lease and financing contracts in place with dealers and retail customers rose by 14.0% compared to the end of the second quarter 2006 and stood at 2,485,450 contracts at 30 June 2007.

Earnings influenced by market launches
The good sales volume performance is also reflected in revenue terms. Despite adverse currency factors, second-quarter group revenues rose by 11.3% to euro 14,683 million. Group revenues for the six-month period totalled euro 26,634 million, corresponding to an increase of 7.3%. Adjusted for exchange rate factors, group revenues would have risen by 10.4%.

The continuing weakness of the US dollar and the Japanese yen, combined with the higher cost of raw materials, had a greater impact on group earnings than expected. Costs also arose in conjunction with market launches and production start-ups for new models. The profit before tax for the second quarter 2007, at euro 1,065 million, was 13.6% below the figure reported for the same quarter last year. The profit before tax for the six-month period was euro 1,917 million, 24.2% lower than in 2006. It should be noted that the six-month profit in 2006 included a one-time 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. Adjusted for this item and for the effect of the change in the fair value of the corresponding option obligation, the profit before tax decreased by only 13.4%.

Number of employees increased slightly
The BMW Group had a worldwide workforce of 107,079 employees at 30 June 2007, a marginally higher number (+0.9%) than at 30 June 2006.

BMW Group's model range further expanded
The BMW Group introduced two new BMW models onto the markets in the second quarter 2007 and also announced the introduction of other new products and model revisions for the remainder of the current year. The BMW 1 Series three-door model, which excels with its particularly agile driving qualities, was launched in May 2007. The new BMW M5 Touring has been available to customers since June. This touring model satisfies the very highest requirements in terms of dynamic driving performance, whilst also offering all of the characteristics of a business and family car. The BMW 1 Series Coupé to be launched in the autumn will add a compact and powerful two-door version to the BMW 1 Series range. The BMW M3 is celebrating its 20-year anniversary in 2007. The fourth generation of this model, the BMW M3 Coupé, will come onto the market in September. In addition, model revisions of the BMW 6 Series Coupé and Convertible have been announced for the autumn. For the first time, the BMW Group will then be equipping a vehicle from that segment with a diesel engine.

Turning to the MINI brand, the MINI One and MINI Cooper D, both of which can boast particularly low fuel consumption, have been available on the market since April 2007. The MINI Clubman will be launched in the autumn. This model will offer more functionality, with two doors opening outwards at the rear and an additional reverse-opening "Clubdoor" on the right-hand side of the vehicle.

From autumn 2007 onwards, approximately 40% of the vehicles sold by the BMW Group in Europe will emit a maximum of 140 g CO_2/km. This will be achieved by increasing the scope of the EfficientDynamics concept used in the BMW 1, 3 and 5 Series as well as in MINI vehicles, applying technologies which seek to optimise the vehicle's powertrain, energy management, lightweight construction and aerodynamic qualities.

Presence in Eastern Europe expanded

The BMW Group opened its own sales offices in Romania and Bulgaria with effect from 1 July, thus continuing the strategy of being represented with its own sales organisation in all EU member states. With the establishment of these sales offices, the BMW Group has taken over responsibility for importing as well as for management supervision of the dealerships.

In India, the sales company, opened on 1 January 2007, and the BMW plant, commissioned in March, are now both operating at normal levels and contributing positively to the group's sales volume performance in India.

Global economy continues to grow

In the second half of 2007, the global economy will continue to grow at a somewhat slower pace than in the previous year. This is mainly a result of the slower growth of the US economy, a development which is expected to be overcome during the course of the year. The global growth rate remains at a very high level, and is likely to pick up speed again during the second half of the year. Japan will continue to enjoy the stable growth rates recorded in recent years. The same is also true for the emerging Asian economies, however, at a much higher level. Eastern Europe and Latin America are again experiencing strong dynamic growth in 2007, albeit at somewhat slower rates than in the previous year. Raw material and energy prices continue to pose major risks and could jeopardise the global economic upswing. Further factors are realignments on some of the world's property markets, coupled with uncertainty as to the extent to which these realignments might impact the relevant economies. The weak US dollar remains a risk to the level of exports generated in the euro region.

International automobile markets continue to diverge

The overall contracting trend in the traditional car markets (USA, Japan and Western Europe) will continue over the course of the year. After a moderate increase in Western Europe in the previous year, mainly due to pre-seasonal buying in Germany in the light of tax-related factors, the Western European automobile markets continue to perform weakly. The current market contraction in Europe has been significantly influenced by the performance of the German market.

By contrast, the emerging economies will continue to register robust growth rates during the second half of the year. The fastest rates are again forecasted for the Chinese markets (China, Hong Kong and Taiwan).

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 confirms targets

The BMW Group forecasts a continuation of its successful course in the second half of 2007.

Sales volume figures for the Automobiles segment in the six-month period are in line with BMW Group's forecasts. After the moderate growth rate seen in the first months of the year, sales volumes rapidly gained pace towards the end of the second quarter. This trend will also continue in the second half of the year. The forecast for the full year is a sales volume growth in the high single-digit percentage range, resulting in new all-time high sales volume figures for all three brands.

External factors, such as adverse exchange rates and higher raw material costs, will continue to have a negative impact on the BMW Group's earnings in the second half of 2007, particularly in relation to the Automobiles segment. Given the faster sales volume growth rates, the BMW Group nevertheless forecasts higher pre-tax earnings for the Automobiles segment than in the previous year.

The group's motorcycles business will again develop divergently from market to market during the second half of 2007. In order to ensure business remains on course, the BMW Group will deal with the markets intensively and continue its determined efforts to improve efficiency.

The BMW Group's Financial Services business will also continue to make an important contribution to the group's success in the second half of 2007. The dampening effect caused by higher refinancing costs will be met by purposeful expansion. As an example, the integration of BMW Fuhrparkmanagement Beteiligungs GmbH (formerly: Dekra Süd-Leasing Services GmbH and its subsidiaries) into the BMW Group represents a further step which will enable it to continue to grow profitably 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 continue to have a positive effect on group earnings in the second half 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 has had a more negative impact on earnings than expected. Despite these additional negative factors, the BMW Group maintains its business forecasts for the year and expects each of the segments to continue performing well in the second half of the year. 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. Sales volume growth and the continuous implementation of efficiency improvements will play a significant role in achieving this aim.

The BMW Group intends to continue its growth course in the coming years and will continue to generate above-average returns for the sector.

Increase in sales volume for six-month period

The second-quarter sales volume performance was influenced by the numerous market launches undertaken both shortly before the start of and during the quarter. A total of 397,009 BMW, MINI and Rolls-Royce brand cars was delivered to customers in the second quarter 2007, 8.6% more than in the same quarter last year. During the first six months of 2007, the BMW Group sold a total of 730,285 cars, representing an increase of 4.6%. The BMW Group therefore sold in excess of 700,000 units for the first time during a six-month period. A new record was also set for a single quarter.

With a second-quarter sales volume of 336,230 units, the number of BMW brand cars sold rose by 7.1%. In total, 622,415 units were sold during the first six months of 2007, surpassing the previous year's equivalent figure by 4.2%.

60,598 MINI brand cars were sold during the second quarter 2007, representing a sales volume increase of 17.6%. The six-month figure for the MINI was 107,576 units, 6.4% ahead of the volume sold during the first six months of the previous year.

With 181 Rolls-Royce Phantom handed over to customers during the second quarter 2007, the sales volume of this brand remained at a similar level to that of the previous year (+0.6%). During the six-month period, 294 Rolls-Royce cars were sold, 2.4% more than one year earlier.

BMW Group achieves sales volume increase in almost all markets

Both second-quarter and six-month car sales volumes rose in practically all markets. Particularly sharp growth rates were achieved in the emerging markets of Asia, Latin America and Eastern Europe.

In North America, the BMW Group sold 97,913 vehicles during the second quarter 2007, 6.6% more than in the same quarter last year. For the six-month period, the sales volume rose by 5.7% to reach the level of 178,603 units. The number of cars sold in the USA in the second quarter 2007 went up by 5.0% to 88,966 units. The BMW Group's sales volume on this market totalled 164,441 units during the six-month period, an increase of 4.5%. The BMW Group also registered a sharp sales volume increase in Canada, with 14,162 BMW, MINI and Rolls-Royce brand cars sold in the period from January to June 2007 (+22.3%).

The BMW Group sold a total of 238,588 cars in Europe* during the second quarter, an increase of 9.3% compared to the same quarter last year. On a six-month basis, the number of cars sold went up by 3.5% to 435,971 units.

In Germany*, the BMW Group's largest single market within Europe, the sales volume (74,458 units), fell 2.1% short of the previous year's second-quarter figure. The number of cars sold during the first six months of 2007 fell by 7.3% to 137,247 units.

By contrast, sales figures in the United Kingdom developed extremely well, with 44,004 units delivered to customers (+17.4%) in the second quarter. Sales on this market for the six-month period were well above the corresponding figure for the previous year. The BMW Group achieved a growth rate of 11.6% during the period, selling a total of 82,628 vehicles.

Sales volumes also developed well during the first half of 2007 on the other major markets in Europe. In Italy, a sales volume of 54,236 units (+2.1%) was achieved. In Spain, the BMW Group recorded an increase of 4.0% with 33,705 vehicles sold. The sales volume increase in France, at 12.1%, was particularly pronounced, with 30,658 units handed over to customers.

The Asian markets developed very positively, both on a second-quarter and a six-month basis. During the period from April to June, the BMW Group sold 41,366 cars in this region, a jump of 14.9% compared to the same quarter last year. The sales volume for the six-month period rose by 12.4% to 76,725 units.

In Japan, the largest single market of the BMW Group in Asia, the six-month sales volume went up by 6.4% to reach a total of 32,773 units. The Chinese

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

Automobiles		2nd quarter 2007	2nd quarter 2006	Change in %
Production	units	406,659	355,072	14.5
Deliveries to customers	units	397,009	365,547	8.6
Revenues	euro million	14,257	12,943	10.2
Profit before tax	euro million	801	947	–15.4
Workforce at end of quarter		98,355	98,347	–

markets (China, Hong Kong and Taiwan) continue to grow dynamically. During the first six months of 2007, 28,362 vehicles were sold on these markets, equivalent to a growth rate of 31.3% compared with the corresponding period last year.

New BMW models successful on the market

The number of BMW brand cars sold during the second quarter climbed by 7.1% to 336,230 units. This is the highest figure ever recorded by the BMW Group in a single quarter. This also represents a new record for a six-month period. A total of 622,415 BMW brand cars was sold during the first six months of the year, an increase of 4.2%.

Model life-cycle factors caused the six-month sales volume of the BMW 1 Series to fall by 11.0% to 70,282 units. The three-door model, which has been available since May, and the BMW 1 Series Coupé, announced for the autumn, will revive demand for this model over the course of the year.

The six-month sales volume figure for the BMW 3 Series rose by 13.3% to 288,256 units. This includes 166,722 units of the BMW 3 Series Sedan, 4.8% fewer than in the corresponding period last year. With 53,484 BMW 3 Series Touring vehicles sold, the sales volume of this model was 0.5% lower than in the corresponding six-month period last year. The BMW 3 Series Coupé, which has been available to customers since September 2006, is proving to be an extremely popular vehicle. Compared to the previous year, sales of this model almost quadrupled in the first six months of 2007, with a total of 44,642 units delivered to customers during the period (+291.6%). Since its launch in March 2007, demand for the BMW 3 Series Convertible has been significantly stronger than in the previous year. In total, 23,353 units were sold during the first half of 2007, an increase of 68.8%.

The number of BMW 5 Series cars sold during the first half of 2007 was lower than in the corresponding period last year due to the fact that the revised model did not become available to customers until March. The six-month sales volume was 111,802 units, a decrease of 5.7% compared to the previous year. 87,687 BMW 5 Series Sedans were sold during the first half of 2007, 5.0% fewer than in the previous year. The six-month sales volume figure for the BMW 5 Series Touring fell by 8.3% to 24,115 units.

Both the BMW 6 Series Coupé and the BMW 6 Series Convertible models are due for a mid-cycle revision, and the revised vehicles will be available to customers from autumn onwards. Overall, 10,054 BMW 6 Series cars were delivered to customers during the first half of 2007 (–12.4%), including 4,741 units of the BMW 6 Series Coupé model (–23.7%). 5,313 units of the BMW 6 Series Convertible were sold, corresponding to a small increase of 1.0%.

Now in its sixth year since market launch, the BMW 7 Series was no longer able to achieve the high sales volume level recorded in the previous year. The six-month sales volume of 20,659 units was 18.8% down on the corresponding period last year.

Sales of the Sports Activity Vehicle BMW X3, manufactured by the cooperation partner Magna Steyr in Austria, went up for the six-month period by 2.1% to 57,471 units.

The sales volume of the new BMW X5, available globally since March, grew at a dynamic pace between January and June 2007. In total, 48,533 BMW X5 were delivered to customers during the six-month period, an increase of 25.3% compared to the previous year.

Demand for BMW Z4 models remains at a high level. With 15,353 units sold, the previous year's first six-month sales volume figure was surpassed by 16.0%.

MINI brand well ahead of the previous year

The new MINI has been available on all major markets since March and the MINI One and the MINI Cooper D were launched onto the market in April, causing a sharp rise in the MINI brand's sales volume figures. A growth rate of 17.6% was achieved in the second quarter 2007, with the sales volume

Automobiles		1 January to 30 June 2007	1 January to 30 June 2006	Change in %
Production	units	788,678	699,806	12.7
Deliveries to customers	units	730,285	698,470	4.6
Revenues	euro million	25,675	24,174	6.2
Profit before tax	euro million	1,410	1,708	–17.4

of 60,598 units setting a new quarterly record for the MINI brand. A total of 107,576 units was sold during the period from January to June, an increase of 6.4 % over the corresponding period last year.

The MINI brand (including the Convertible) continues to generate a very high-value product mix. Some 12.5 % of buyers elected to purchase the MINI One, compared to almost 56.8 % going for the MINI Cooper and 30.7 % for the MINI Cooper S.

Rolls-Royce sales volume up on previous year

A total of 181 Rolls-Royce Phantom was sold during the second quarter 2007, 0.6 % more than in the same quarter last year. 294 cars of this model were handed over to their new owners during the six-month period from January to June, an increase of 2.4 % over the corresponding period in 2006.

Preparations for the recently announced new model range, the price and size of which will be positioned somewhat below the Phantom, and the plans for the armoured version of the Phantom, are proceeding according to schedule.

Sharp increase in the BMW Group's car production volume

The BMW Group manufactured a total of 406,659 BMW, MINI and Rolls-Royce brand cars during the second quarter 2007, 14.5 % more than in the same quarter last year.

This figure includes 349,720 BMW brand cars (+14.9 %). During the second quarter 2007, the BMW Group announced an increase in annual production capacity at the BMW plant in Spartanburg, USA, to more than 200,000 vehicles over the coming years. The BMW engine plant in Steyr manufactured its ten-millionth engine in mid-June.

In Oxford, England, 56,730 MINIs came off the production line in the second quarter 2007, 12.4 % more than in the same quarter one year earlier. Six years after commencing production, the one-millionth MINI was manufactured there at the beginning of April.

Production of the Phantom Drophead Coupé is now in full swing in Goodwood, England. During the second quarter 2007, 209 Rolls-Royce cars left the manufacturing plant, 9.5 % fewer than one year earlier.

The total number of cars manufactured by the BMW Group during the six-month period rose by 12.7 % to 788,678 units. This included 674,662 BMW brand cars, up 11.5 % against the corresponding period last year.

The production volume of the MINI for the six-month period jumped by 20.5 % to 113,593 units. In the previous year, capacity expansion measures and the change to the new MINI had restricted production volume.

423 Phantoms were manufactured at Goodwood during the first six months of 2007, 8.2 % more than in the corresponding period last year.

BMW Group sells TRITEC shares to DaimlerChrysler

The BMW Group sold its shares in TRITEC Motors Ltda. to the Chrysler Group (part of DaimlerChrysler) with effect from 11 July 2007. TRITEC was set up in 1997 by the BMW Group and Chrysler Group to manufacture 1.4 and 1.6 litre four-cylinder petrol engines. The engine plant is located in Campo Largo, a city in the Curitiba region of the southern Brazilian Federal State of Paraná.

Exchange rate factors influence earnings

The positive sales volume trend witnessed by the Automobiles segment is reflected in the revenues figure. Despite adverse exchange rate factors, second-quarter group revenues rose by 10.2 % to euro 14,257 million. Segment revenues for the first half of 2007 amounted to euro 25,675 million, corresponding to a growth rate of 6.2 %.

Segment earnings were affected more than expected by adverse exchange rate factors related to the on-going weakness of the US dollar and Japanese yen as well as by higher raw material purchase prices. In addition, costs were incurred in conjunction with the market launch and production start-up of new models. The segment pre-tax profit for the second quarter 2007, at euro 801 million, was 15.4 % below the figure reported for the same quarter last year. For the six-month period, the segment profit before tax amounted to euro 1,410 million, 17.4 % down on that of the corresponding period last year.

Automobiles segment workforce remains stable

The Automobiles segment had a worldwide workforce of 98,355 employees at 30 June 2007, unchanged compared to the same date last year.

Motorcycles segment increases sales volume for six-month period

The motorcycle markets relevant for the BMW Group (500 cc plus) again performed inconsistently during the second quarter 2007. In global terms, the motorcycle markets contracted by 3.7 % compared to one year earlier. The European market saw a 3.6 % drop during this period. This was largely due to pre-seasonal buying in the first quarter caused by the mild winter. In Germany the 500 cc plus market segment contracted by 11.4 % in the second quarter 2007.

In the USA too, the world's largest market for motorcycles, the segment relevant for the BMW Group was 5.3 % down in the second quarter against the previous year. The Japanese motorcycle market grew sharply (+ 7.5 %) in the second quarter 2007.

On a six-month basis, sales volumes on the 500 cc plus motorcycle markets contracted worldwide by 1.2 %. Whilst Europe saw a small increase (+ 0.5 %) in the first half of 2007, the motorcycle market in Germany registered a 3.4 % decrease for the six-month period. The markets in "non-traditional" motorcycling countries performed well. In Scandinavia, for example, growth rates of approximately 12 % were achieved. The effect of the mild winter was particularly evident in this region.

The US motorcycle market fell 4.1 % below the previous year's level. The Japanese motorcycle market came close to reaching the previous year's six-month level (– 1.1 %).

Although the BMW Motorcycles segment's second-quarter sales volume figure was below that recorded in the previous year, the performance was still better than the market as a whole. With 36,201 units sold, the second-quarter sales volume figure was 2.3 % below the previous year, mainly due to pre-seasonal buying in the first quarter 2007. On a six-month basis, however, motorcycle sales went up by 5.6 % to 59,230 units, a new record for a six-month period.

In total, 42,674 BMW motorcycles were sold in Europe during the first half of the 2007, almost matching the level achieved one year earlier (– 0.8 %). The number of BMW motorcycles sold in Germany in the six-month period dropped sharply to 11,972 units, 11.0 % below the previous year's figure. Despite this development, BMW was still able to maintain its position as market leader. BMW motorcycle sales grew in Spain (5,272 units, + 9.3 %) and in the United Kingdom (2,951 units, + 8.4 %) in line with the market.

In the USA, the number of BMW motorcycles sold in the first half of 2007, at 6,800 units, was 0.1 % ahead of the previous year despite the fact that the market as a whole contracted sharply. The new F 800 and G 650 X models, available on the market since the end of 2006 and the beginning of 2007 respectively, played a major part in this positive development.

In Japan, the BMW Group sold 1,793 motorcycles, 27.3 % more than the previous year's equivalent figure. Here too, the availability of new models had a positive influence.

R 1200 GS again the most popular BMW motorcycle

The large long-distance enduro R 1200 GS again heads the list of best-selling BMW motorcycles for the six-month period. Including the Adventure version, 17,914 units were delivered to customers. Second place in the BMW best-seller list with 6,558 units sold was taken by the long-distance tourer R 1200 RT, closely followed by the F 650 GS enduro. Including the Dakar version, 6,430 units of this model were sold.

Motorcycles		2nd quarter 2007	2nd quarter 2006	Change in %
Production*	units	32,772	31,531	3.9
Deliveries to customers	units	36,201	37,052	– 2.3
Revenues	euro million	396	419	– 5.5
Profit before tax	euro million	56	56	–
Workforce at end of quarter		2,765	2,826	– 2.2

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

Motorcycle production volume higher than in previous year
In total, 32,772 BMW motorcycles were manufactured during the second quarter 2007, 3.9% more than in the same quarter last year. This figure included 29,857 units manufactured at the BMW Berlin plant (–5.3%) and 2,915 units manufactured at Piaggio S.p.A., Noale, Italy.

On a six-month basis, a total of 68,567 motorcycles were manufactured, 12.3% more than one year earlier. This comprised 61,758 units manufactured at the BMW Berlin plant and 6,809 units manufactured at the Piaggio S.p.A plant.

BMW Group acquires Husqvarna
On 19 July 2007, the BMW Group acquired Husqvarna, a motorcycle company with a very long tradition. The agreement is still subject to approval by the European cartel authorities and will only come into effect after approval has been received.

The Husqvarna acquisition represents a logical step for the Motorcycles segment in terms of its activities in the single-cylinder segment. All development, sales and production activities and all employees will be acquired and continue to be based in the north Italian region of Varese.

Revenues and earnings of the Motorcycles segment both up on a six-month basis
Second quarter segment revenues fell by 5.5% to euro 396 million in line with the drop in sales volume. Revenues for the six-month period totalled euro 763 million, surpassing the previous year's figure by 4.2%.

The segment profit before tax for the second quarter was unchanged at euro 56 million. On a six-month basis, segment profit before tax rose by 5.9% to euro 90 million. The main contributing factors behind this development are on-going measures to improve efficiency in the Motorcycles segment.

Workforce of Motorcycles segment down slightly
The BMW Group employed a workforce of 2,765 people in the Motorcycles segment at 30 June 2007, 2.2% fewer than one year earlier.

Motorcycles		1 January to 30 June 2007	1 January to 30 June 2006	Change in %
Production*	units	68,567	61,071	12.3
Deliveries to customers	units	59,230	56,103	5.6
Revenues	euro million	763	732	4.2
Profit before tax	euro million	90	85	5.9

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

Financial services business continues to grow
The Financial Services segment continues to grow profitably despite rising refinancing costs in the major regions and fierce competitive pressure on the markets. The business volume of the segment in balance sheet terms rose by 17.8% to reach euro 48,811 million at the end of the period under report. The number of finance and lease contracts in place with dealers and retail customers at 30 June 2007, at 2,485,450 contracts, meant that the portfolio had increased by 14.0% compared to one year earlier. The proportion of new BMW Group vehicles leased or financed by the Financial Services segment during the first half of 2007 was 44.0%, 1.9 percentage points above the proportion recorded for the corresponding period in 2006.

Retail customer business expanded further
Finance and lease business with retail customers continued to enjoy a positive level of growth. 290,293 new contracts were signed during the second quarter 2007, 16.0% more than in the same quarter last year. The number of new contracts signed worldwide during the six-month period totalled 528,853 units, 13.3% more than in the previous year. Lease business contributed to this growth with a 15.5% increase in the number of contracts signed. Credit financing grew by 12.0% for the six-month period. Lease contracts accounted for 37.6% of new business and credit financing accounted for 62.4%.

In the used car financing line of business, the number of new contracts signed during the six-month period rose by 8.1%. The number of BMW and MINI brand cars financed decreased by 2.6%.

The total volume of finance and lease contracts signed with retail customers during the first half of the year amounted to euro 13,835 million, representing an increase of 10.3% compared to the corresponding period last year.

This strong performance with new business is reflected in the overall contract portfolio. The number of retail customer contracts in place at 30 June 2007 was 2,269,866, 13.5% more than at the corresponding date last year. Growth was spread across all regions. The number of retail customer contracts in Germany increased by 12.1%, whilst the remaining European markets and the Asia/Oceania/Africa region grew by 12.2% and 14.4% respectively. The Americas region, with 745,245 contracts, still constitutes the largest contract portfolio. This represented a growth rate of 15.4% compared to one year earlier.

Dealer financing remains on growth course
The Financial Services segment also supports the BMW Group dealer organisation with a comprehensive range of products. In addition to the financing of vehicle inventories at the dealerships, these activities also include real estate and equipment financing. The total volume of dealer financing contracts managed by the Financial Services segment at the end of the first half of 2007 stood at euro 7,947 million, 20.2% higher than one year earlier.

Fleet business activities attain new magnitude
The contract portfolio for fleet business continued to grow strongly during the first six months of 2007, registering an overall rise of 58.4%. The increase in the second quarter was due on the one hand to organic growth, and on the other to the acquisition of Dekra SüdLeasing Services GmbH (in the meantime: BMW Fuhrparkmanagement Beteiligungs GmbH) and that entity's subsidiaries. In addition, fleet activities were expanded in April to cover the Mexican market, Alphabet's first fleet management

Financial Services		2nd quarter 2007	2nd quarter 2006	Change in %
New contracts with retail customers		290,293	250,190	16.0
Revenues	euro million	3,449	2,869	20.2
Profit before tax	euro million	189	180	5.0
Workforce at end of quarter		4,073	3,330	22.3

involvement on the American continent. At the end of the period under report, the group's fleet management entities managed a portfolio of 252,768 units worldwide. Excluding the units relating to the acquisition, the increase compared to the previous year was 22.3 %.

Strong competition in banking business
The Financial Services segment's deposit volume worldwide was 8.2 % lower than one year earlier, amounting to euro 5,599 million at 30 June 2007. The number of securities custodian accounts at that date remained practically unchanged at 30,829 units.

Insurance business enjoying continuous growth
Demand for insurance products, offered to customers in addition to finance and lease contracts, remains strong. The insurance contract portfolio comprised 887,199 contracts at the end of the period under report.

Segment earnings
The continued strong performance of the Financial Services segment is reflected in the segment's pre-tax earnings. The second-quarter profit before tax rose by 5.0 % to euro 189 million. Segment profit before tax for the first half of 2007 totalled euro 372 million, surpassing the previous year's equivalent figure by 5.4 %.

Further rise in workforce
The Financial Services segment maintained a workforce of 4,073 employees at 30 June 2007, 22.3 % more than one year earlier. 411 employees were integrated into the segment as a result of business acquisitions.

Financial Services		1 January to 30 June 2007	1 January to 30 June 2006	Change in %
New contracts with retail customers		528,853	466,774	13.3
Business volume*	euro million	48,811	41,420	17.8
Revenues	euro million	6,532	5,607	16.5
Profit before tax	euro million	372	353	5.4

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

BMW stock in the second quarter 2007

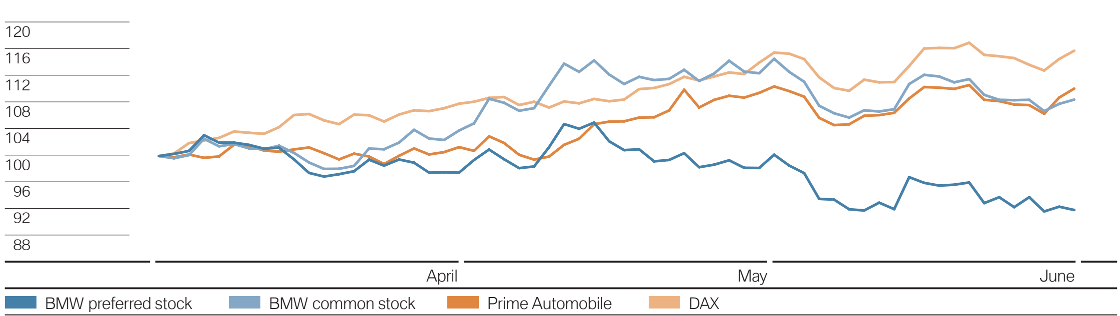
The upward trend enjoyed by the stock markets since the beginning of the year continued in the second quarter 2007. The US dollar exchange rate, one of the main factors affecting the performance of the stock markets, fluctuated within a range of US dollar 1.33 to US dollar 1.36 to the euro during the second quarter 2007. The US currency remained on the weak side, closing marginally lower (–1.4 %) than at the end of the previous quarter.

The leading German stock index, the DAX 30, also performed well again. After presenting investors with an overall gain of 5.3 % in the first quarter 2007, the DAX was able to surpass the level of 8,000 points again in the second quarter. The index closed at 8,007.32 points at the end of the period under report, showing a rise of 15.9 % against its opening level at the beginning of the second quarter 2007.

Export-orientated automobile stocks also continued to develop positively during the second quarter. However, due to the on-going weakness of the US dollar and the Japanese yen as well as high raw material prices, they performed somewhat more moderately than the market as a whole. The Prime Automobile Performance Index nevertheless benefited from the positive trend set by the overall market. The index closed on 29 June 2007 at 776.44 points, 10.2 % higher than its opening level at the beginning of the second quarter 2007.

The price of BMW common stock also increased during the quarter under report, closing at euro 48.01. In contrast to previous quarters, common stock performed better in the second quarter than preferred stock. Based on a market price rise of euro 3.76 (+8.5 %), the market value of common stock increased largely in line with the sector index. Preferred stock, on the other hand, closed on low trading volumes euro 3.58 lower than that at the start of the quarter (down by 8.1 %).

Development of BMW stock compared to stock exchange indices
(Index: 30.3.2007 = 100)



Earnings performance

Unfavourable exchange rate factors and higher raw material costs had a greater impact on the second-quarter and six-month earnings performance than expected. In addition, high expenses were incurred for market launches and production start-ups for new models.

Earnings performance for the second quarter 2007

Second-quarter group revenues increased by 11.3% to euro 14,683 million. External revenues of the Automobiles segment and of the Financial Services segment were respectively 9.9% and 19.8% higher than in the same quarter last year. External revenues of the Motorcycles segment fell by 4.6% compared to the second quarter 2006. Revenues from other activities of the Group amounted to euro 52 million and related mainly to the softlab Group. The comparable figure for the same quarter last year was euro 51 million.

Cost of sales increased by 12.4% to euro 11,353 million, thus rising at a slightly faster rate than revenues. This was due to the negative impact of external factors relating to exchange rates and high raw material prices. The second-quarter gross profit in absolute terms improved to euro 3,330 million (+7.6%) resulting in a gross profit percentage of 22.7% (second quarter 2006: 23.5%). The gross profit of industrial operations fell marginally by 0.2 percentage points to 20.5% and that of financial operations fell by 0.6 percentage points to 10.8%.

Higher model launch costs, attributable to model life-cycle factors, resulted in a 16.3% increase in selling and administrative costs. This represents 10.2% (second quarter 2006: 9.8%) of revenues.

Research and development costs increased sharply compared to the second quarter 2006. This steep increase was primarily due to higher expenditure in conjunction with the utilisation of EfficientDynamics and to the higher depreciation expense. Research and development costs represent 5.7% (second quarter 2006: 4.5%) of revenues and include amortisation of capitalised development costs amounting to euro 267 million (second quarter 2006: euro 192 million). Total research and development costs for the second quarter 2007 amounted to euro 893 million (second quarter 2006: euro 735 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. For the second quarter 2007, this gives a research and development expenditure ratio of 6.1% (second quarter 2006: 5.6%).

Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs amounted to euro 894 million (second quarter 2006: euro 782 million).

The positive net amount from other operating income and expenses decreased by euro 28 million compared to the second quarter last year, mainly as a result of lower gains on currency transactions.

The financial result improved compared to the same quarter last year. This was attributable mainly to the higher level of net gains on derivative financial instruments, as a result of which the line item "Sundry other financial result" increased by euro 46 million. Within the financial result, the net interest expense decreased by euro 23 million, the result from

Revenues by segment in the 2nd quarter in euro million	Revenues with third parties 2007	2006	Revenues with other segments 2007	2006	Total revenues 2007	2006
Automobiles	11,247	10,234	3,010	2,709	14,257	12,943
Motorcycles	394	413	2	6	396	419
Financial Services	2,990	2,495	459	374	3,449	2,869
Reconciliations	52	51	–3,471	–3,089	–3,419	–3,038
Group	**14,683**	**13,193**	**–**	**–**	**14,683**	**13,193**

investments improved by euro 4 million and the result from equity accounted investments increased by euro 1 million.

As a consequence of the adverse factors described above, the profit before tax for the second quarter 2007 fell by 13.6 % compared to the same quarter one year earlier. The pre-tax return on sales was 7.3 % (second quarter 2006: 9.3 %).

The second-quarter income tax expense was lower than in the previous year. The effective tax rate was 29.3 % (second quarter 2006: 36.1 %).

The BMW Group recorded a net profit of euro 753 million for the second quarter 2007, euro 34 million or 4.3 % below the result for the same quarter last year. In the second quarter, the Group generated earnings per share of common stock of euro 1.15 (second quarter 2006: euro 1.20) and earnings per share of preferred stock of euro 1.16 (second quarter 2006: euro 1.21).

Earnings performance for the first half of 2007

Group revenues rose by 7.3 % to euro 26,634 million on a half-yearly basis. Excluding the effect of currency fluctuations, the increase was 10.4 %. Within group revenues, external revenues of the Automobiles and Financial segments were 5.3 % and 15.6 % ahead of the corresponding period in 2006. External revenues of the Motorcycles segment increased by 4.8 % compared to the first half of 2006 thanks to improved sales volume figures. Revenues from other activities of the Group amounted to euro 99 million and related mainly to the softlab Group. The comparable figure for the six-month period last year was euro 94 million.

Cost of sales amounted to euro 20,566 million, with the increase of 7.4 % only marginally higher than the increase in revenues. The gross profit improved accordingly by 7.1 % compared to the first half of 2006. The gross profit percentage was unchanged at 22.8 %. The gross profit of Industrial operations was also unchanged at 20.4 % and that of Financial operations improved by 0.1 percentage points to 10.8 %.

Sales and administrative costs increased by 11.3 % compared to the corresponding period last year and represent 10.2 % (first half-year 2006: 9.8 %) of revenues.

Research and development costs increased by 22.0 % compared to the first half of 2006 and represent 5.5 % (first half-year 2006: 4.9 %) of revenues. These figures include amortisation of capitalised development costs amounting to euro 517 million (first half-year 2006: euro 370 million). Total research and development costs for the first half of 2007 amounted to euro 1,563 million (first half-year 2006: euro 1,437 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 half of 2007 was 5.9 % (first half-year 2006: 5.8 %).

Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs amounted to euro 1,755 million (first half-year 2006: euro 1,507 million).

The positive net amount from other operating income and expenses also decreased compared to one year earlier on a half-year basis, mainly due to the lower level of gains on foreign currency transactions and lower income from the reversal of write-downs.

The financial result was a net expense of euro 14 million, which represented a deterioration of euro 393 million compared to the corresponding period last year. As stated above, earnings for the first half 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

Revenues by segment for the period from 1 January to 30 June in euro million	Revenues with third parties 2007	2006	Revenues with other segments 2007	2006	Total revenues 2007	2006
Automobiles	20,108	19,089	5,567	5,085	25,675	24,174
Motorcycles	758	723	5	9	763	732
Financial Services	5,669	4,905	863	702	6,532	5,607
Reconciliations	99	94	– 6,435	– 5,796	– 6,336	– 5,702
Group	**26,634**	**24,811**	**–**	**–**	**26,634**	**24,811**

bond options were settled during the first half of 2007, resulting in a gain of euro 71 million. The fair value measurement of the remaining exchangeable bond option obligation relating to the BMW Group's investment in Rolls-Royce plc, London, resulted in an expense of euro 10 million for the six-month period, which is included in the line item "Sundry other financial result". In the first half of 2006, fair value measurement contributed a gain of euro 9 million to the financial result. The result from other financial instruments deteriorated compared to the corresponding six-month period last year. Within the financial result, the result from equity method accounting decreased by euro 7 million and the net interest expense decreased by euro 30 million.

The profit before tax for the six-month period fell by 24.2 % to euro 1,917 million. Excluding the impact of the partial settlement of the exchangeable bond on the investment in Rolls-Royce plc, London, and the fair market loss on the option obligation, the profit before tax fell by only 13.4 % to euro 1,856 million. The pre-tax return on sales was 7.2 % (first half-year 2006: 10.2 %). Excluding the gain on the exchangeable bond, the pre-tax return on sales was 7.0 % (first half-year 2006: 8.6 %).

The income tax expense decreased by euro 216 million, and the effective tax rate, at 30.1 %, was similar to one year earlier (first half-year 2006: 31.4 %). The effective tax rate for the first half of 2007 does not include the impact of the Business Tax Reform Act 2008 adopted by the German Bundesrat (Federal Council) on 6 July 2007. As a result of this legislation, the BMW Group expects a further drop in the effective tax rate for the full financial year 2007.

The BMW Group recorded a net profit of euro 1,340 million for the first half of 2007, euro 395 million or 22.8 % below the result for the first half of 2006.

For the first half of 2007, the Group generated earnings per share of common stock of euro 2.05 (first half-year 2006: euro 2.64) and earnings per share of preferred stock of euro 2.06 (first half-year 2006: euro 2.65).

Earnings performance by segment

Revenues of the Automobiles segment for the second quarter 2007 increased by 10.2 %, whereas the segment result fell by 15.4 % due to the adverse factors described above. Segment revenues for the first half of 2007 rose by 6.2 %, whilst the segment profit for the period decreased by 17.4 % to euro 1,410 million.

Second-quarter revenues of the Motorcycles segment decreased by 5.5 %. On-going efficiency improvements allowed the segment result to remain unchanged. Segment revenues for the six-month period, at euro 763 million, were up by 4.2 %. The segment profit before tax, at euro 90 million, improved by 5.9 % compared to the corresponding period last year.

Revenues of the Financial Services segment for the second quarter 2007 increased by 20.2 %. The segment profit before tax was up 5.0 % compared to the figure reported for the second quarter 2006 thanks to the higher business volume. On a half-yearly basis, segment revenues rose by 16.5 % and the segment profit before tax was up 5.4 % compared to the previous year.

Reconciliations to the Group profit from ordinary activities were positive in the second quarter 2007,

Profit before tax by segment in euro million	2nd quarter 2007	2nd quarter 2006	1 January to 30 June 2007	1 January to 30 June 2006
Automobiles	801	947	1,410	1,708
Motorcycles	56	56	90	85
Financial Services	189	180	372	353
Reconciliations	19	49	45	382
Profit before tax*	**1,065**	**1,232**	**1,917**	**2,528**
Income taxes	– 312	– 445	– 577	– 793
Net profit	**753**	**787**	**1,340**	**1,735**

*Profit before tax for the first half 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.

with a net income of euro 19 million (second quarter 2006: euro 49 million). Reconciliations to the Group profit from ordinary activities for the first half of 2007 were also positive, with net income of euro 45 million, representing a deterioration of euro 337 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 half 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 half of 2007 decreased by euro 520 million to euro 5,557 million (first half-year 2006: euro 6,077 million).

The cash outflow for investing activities for the six-month period amounted to euro 8,372 million and was therefore euro 2,397 million higher than in the first half of 2006. Capital expenditure on intangible assets and property, plant and equipment resulted in the cash outflow for investing activities increasing by euro 401 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 2,063 million. 66.4 % (first half-year 2006: 101.7 %) 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 151.7 % (first half-year 2006: 233.8 %) 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 2,748 million from bond issues (first half-year 2006: euro 3,501 million) and outflows for repayments of euro 1,578 million (first half-year 2006: euro 2,905 million). The cash inflow from financing activities totalling euro 2,701 million arises in the first half of 2007 primarily from the issue of bonds and the use of commercial paper.

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group, the various cash flows resulted in a decrease in cash and cash equivalents of euro 117 million (first half-year 2006: euro 87 million).

Net interest-bearing assets relating to Industrial operations (including receivables from Financial operations) amounted to euro 6,490 million at 30 June 2007. This represents an increase of euro 1,105 million since 31 December 2006. Net interest-bearing assets relating to Industrial operations comprise cash and cash equivalents (euro 1,211 million), marketable securities relating to Industrial operations (euro 2,047 million) and receivables from Financial operations (euro 5,728 million) less financial liabilities relating to Industrial operations. Excluding interest and currency derivatives, the latter amounts to euro 2,496 million.

Net assets

The balance sheet total of the BMW Group increased by euro 6,671 million or 8.4 % compared to 31 December 2006. Adjusted for changes in exchange rates, the balance sheet total would have increased by 9.1 %. The main reason for this increase on the assets side of the balance sheet were leased-out products (+16.7 %), inventories (+26.9 %) and receivables from sales financing (+8.3 %). In the opposite direction, other assets fell by 10.8 %. On the equity and liabilities side of the balance sheet, the increase was due to the increase in equity (+5.1 %), financial liabilities (+10.8 %) and trade payables (+25.3 %). By contrast, pension provisions decreased by 9.0 %.

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 2,278 million. Excluding the effect of currency fluctuations, the increase would have been euro 155 million higher. Receivables from sales financing were up by 8.3 % to euro 32,891 million due to higher business volumes. Compared to 31 December 2006, inventories increased by euro 1,826 million to euro 8,620 million, mainly as a result of the build-up of inventory levels in conjunction with the market introduction of new models.

Group equity increased primarily as a result of the net profit for the period. Within group equity, accumulated other equity increased overall by euro 127 million. On the one hand, other accumulated equity was reduced by the euro 102 million decrease in the fair value of securities (mainly as a result of the partial settlement of the exchangeable bond on Rolls-Royce plc shares), by translation differences amounting to euro 39 million and by the euro 62 million reduction in the fair values of derivative financial instruments. Working in the opposite direction, the rise in interest rates generated actuarial gains on pension obligations amounting to euro 330 million (net of deferred tax) which increased other accumulated equity.

The equity ratio of the BMW Group fell overall by 0.7 percentage points to 23.5 %. The equity ratio for Industrial operations was 39.4 % (31 December 2006: 40.6 %). The equity ratio for Financial operations was 10.2 %, which was 0.2 percentage points lower than at 31 December 2006.

Other provisions amounted to euro 5,567 million, slightly higher than their level at the end of the financial year 2006. Financing liabilities increased in the six-month period mainly as a result of the higher level of bonds, liabilities to banks and commercial paper.

Other liabilities, at euro 6,504 million, were euro 648 million higher than at 31 December 2006, primarily as a result of an increase in accruals and deferred income.

Interim Group Financial Statements
Group and sub-group Income Statements for the 2nd quarter

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]	14,683	13,193	14,705	13,413	3,542	2,941
Cost of sales	[6]	–11,353	–10,097	–11,686	–10,639	–3,159	–2,606
Gross profit		**3,330**	**3,096**	**3,019**	**2,774**	**383**	**335**
Sales and administrative costs	[7]	–1,497	–1,287	–1,341	–1,167	–159	–126
Research and development costs	[8]	–835	–598	–835	–598	–	–
Other operating income	[9]	126	157	110	140	34	29
Other operating expenses	[9]	–105	–108	–93	–101	–32	–19
Profit before financial result		**1,019**	**1,260**	**860**	**1,048**	**226**	**219**
Result from equity accounted investments	[10]	10	9	10	9	–	–
Other financial result	[11]	36	–37	15	–43	64	20
Financial result		46	–28	25	–34	64	20
Profit before tax		**1,065**	**1,232**	**885**	**1,014**	**290**	**239**
Income taxes	[12]	–312	–445	–262	–380	–91	–77
Net profit		**753**	**787**	**623**	**634**	**199**	**162**
Attributable to minority interest		2	–	2	–	–	–
Attributable to shareholders of BMW AG		**751**	**787**	**621**	**634**	**199**	**162**
Earnings per share of common stock in euro	[13]	1.15	1.20				
Earnings per share of preferred stock[2] in euro	[13]	1.16	1.21				

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 June

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]	26,634	24,811	26,537	25,001	6,708	5,765
Cost of sales	[6]	–20,566	–19,144	–21,127	–19,891	–5,981	–5,147
Gross profit		**6,068**	**5,667**	**5,410**	**5,110**	**727**	**618**
Sales and administrative costs	[7]	–2,718	–2,443	–2,431	–2,203	–287	–250
Research and development costs	[8]	–1,472	–1,207	–1,472	–1,207	–	–
Other operating income	[9]	269	355	197	298	98	78
Other operating expenses	[9]	–216	–223	–162	–198	–85	–48
Profit before financial result		**1,931**	**2,149**	**1,542**	**1,800**	**453**	**398**
Result from equity accounted investments	[10]	3	10	3	10	–	–
Other financial result	[11]	–17	369	11	374	45	44
Financial result		–14	379	14	384	45	44
Profit before tax		**1,917**	**2,528**	**1,556**	**2,184**	**498**	**442**
Income taxes	[12]	–577	–793	–472	–686	–155	–143
Net profit		**1,340**	**1,735**	**1,084**	**1,498**	**343**	**299**
Attributable to minority interest		3	1	3	1	–	–
Attributable to shareholders of BMW AG		**1,337**	**1,734**	**1,081**	**1,497**	**343**	**299**
Earnings per share of common stock in euro	[13]	2.05	2.64				
Earnings per share of preferred stock[2] in euro	[13]	2.06	2.65				

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 30.6.2007	Group 31.12.2006	Industrial operations* 30.6.2007	Industrial operations* 31.12.2006	Financial operations* 30.6.2007	Financial operations* 31.12.2006
Intangible assets	[14]	5,544	5,312	5,419	5,276	125	36
Property, plant and equipment	[15]	11,154	11,285	11,129	11,260	25	25
Leased products	[16]	15,920	13,642	258	254	18,800	16,364
Investments accounted for using the equity method	[17]	65	60	65	60	–	–
Other investments	[17]	282	401	262	388	20	13
Receivables from sales financing	[18]	19,371	17,865	–	–	19,371	17,865
Financial assets	[19]	909	816	45	61	864	755
Deferred tax	[20]	839	755	1,356	1,192	–1,982	–1,828
Other assets	[21]	450	378	1,126	875	348	255
Non-current assets		**54,534**	**50,514**	**19,660**	**19,366**	**37,571**	**33,485**
Inventories	[22]	8,620	6,794	8,610	6,784	10	10
Trade receivables		2,605	2,258	2,549	2,214	56	44
Receivables from sales financing	[18]	13,520	12,503	–	–	13,520	12,503
Financial assets	[19]	2,964	3,134	2,255	2,348	709	786
Current tax	[20]	353	246	338	222	15	24
Other assets	[21]	1,913	2,272	5,750	5,574	824	772
Cash and cash equivalents		1,219	1,336	1,211	1,235	8	101
Current assets		**31,194**	**28,543**	**20,713**	**18,377**	**15,142**	**14,240**
Total assets		**85,728**	**79,057**	**40,373**	**37,743**	**52,713**	**47,725**
Total assets adjusted for asset backed financing transactions		80,714	74,556	–	–	47,699	43,224

*before consolidation of transactions between the sub-groups

Equity and liabilities in euro million	Notes	Group 30.6.2007	Group 31.12.2006	Industrial operations* 30.6.2007	Industrial operations* 31.12.2006	Financial operations* 30.6.2007	Financial operations* 31.12.2006
Subscribed capital		654	654				
Capital reserves		1,911	1,911				
Revenue reserves		19,000	18,121				
Accumulated other equity		– 1,433	– 1,560				
Treasury shares		– 34	–				
Minority interest		7	4				
Equity	[23]	**20,105**	**19,130**	**15,924**	**15,315**	**5,382**	**4,965**
Pension provisions		4,566	5,017	4,531	4,983	35	34
Other provisions	[24]	2,839	2,865	2,474	2,462	365	403
Deferred tax	[25]	3,183	2,758	2,560	2,012	317	464
Financial liabilities	[26]	21,520	18,800	721	882	20,799	17,918
Other liabilities	[27]	2,095	1,932	1,591	1,458	2,028	1,732
Non-current provisions and liabilities		**34,203**	**31,372**	**11,877**	**11,797**	**23,544**	**20,551**
Other provisions	[24]	2,728	2,671	2,541	2,489	212	207
Current tax	[25]	739	567	579	437	160	130
Financial liabilities	[26]	18,863	17,656	1,946	1,407	16,917	16,249
Trade payables		4,681	3,737	4,088	3,288	593	449
Other liabilities	[27]	4,409	3,924	3,418	3,010	5,905	5,174
Current provisions and liabilities		**31,420**	**28,555**	**12,572**	**10,631**	**23,787**	**22,209**
Total equity and liabilities		**85,728**	**79,057**	**40,373**	**37,743**	**52,713**	**47,725**
Total equity and liabilities adjusted for asset backed financing transactions		80,714	74,556	–	–	47,699	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 June

in euro million	Group	
	2007	2006
Net profit	1,340	1,735
Depreciation of leased products	2,336	1,866
Depreciation and amortisation of tangible, intangible and investment assets	1,755	1,547
Change in provisions	195	138
Change in deferred tax	174	186
Change in net current assets and other items	– 243	605
Cash inflow from operating activities	**5,557**	**6,077**
Investment in intangible assets and property, plant and equipment	– 1,909	– 1,508
Net investment in leased products and receivables from sales financing	– 6,434	– 4,371
Other	– 29	– 96
Cash outflow from investing activities	**– 8,372**	**– 5,975**
Cash inflow / outflow from financing activities	**2,701**	**– 271**
Effect of exchange rate and changes in composition of group on cash and cash equivalents	**– 3**	**82**
Change in cash and cash equivalents	**– 117**	**– 87**
Cash and cash equivalents at 1 January	1,336	1,621
Cash and cash equivalents at 30 June	**1,219**	**1,534**

Industrial operations 2007	Industrial operations 2006	Financial operations 2007	Financial operations 2006	
1,084	1,498	343	299	Net profit
2	3	2,137	1,752	Depreciation of leased products
1,745	1,539	10	8	Depreciation and amortisation of tangible, intangible and investment assets
284	49	– 89	89	Change in provisions
161	198	63	24	Change in deferred tax
– 478	456	295	162	Change in net current assets and other items
2,798	**3,743**	**2,759**	**2,334**	**Cash inflow from operating activities**
– 1,810	– 1,482	– 99	– 26	Investment in intangible assets and property, plant and equipment
– 6	– 42	– 6,428	– 4,329	Net investment in leased products and receivables from sales financing
– 28	– 77	– 1	– 19	Other
– 1,844	**– 1,601**	**– 6,528**	**– 4,374**	**Cash outflow from investing activities**
– 983	**– 2,485**	**3,684**	**2,214**	**Cash inflow / outflow from financing activities**
5	**96**	**– 8**	**– 14**	**Effect of exchange rate and changes in composition of group on cash and cash equivalents**
– 24	**– 247**	**– 93**	**160**	**Change in cash and cash equivalents**
1,235	1,372	101	249	Cash and cash equivalents at 1 January
1,211	**1,125**	**8**	**409**	**Cash and cash equivalents at 30 June**

Interim Group Financial Statements
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	–	–	–	–	–	–	–	– 265	–	– 265
Withdrawal of shares from circulation	– 20	– 60	– 679	–	–	–	–	759	–	–
Dividends paid	–	–	– 419	–	–	–	–	–	–	– 419
Translation differences	–	–	–	– 206	–	7	6	–	–	– 193
Financial instruments	–	–	–	–	– 456	319	–	–	–	– 137
Actuarial gains and losses on pension obligations	–	–	–	–	–	–	630	–	–	630
Deferred tax on transactions recognised directly in equity	–	–	–	–	9	– 99	– 235	–	–	– 325
Net profit 30 June 2006	–	–	1,734	–	–	–	–	–	1	1,735
Other changes	–	–	–	–	–	–	–	–	– 2	– 2
30 June 2006	**654**	**1,911**	**16,987**	**– 852**	**115**	**256**	**– 1,061**	**– 12**	**– 1**	**17,997**
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	–	–	–	– 44	–	4	1	–	–	– 39
Financial instruments	–	–	–	–	– 102	– 94	–	–	–	– 196
Actuarial gains and losses on pension obligations	–	–	–	–	–	–	576	–	–	576
Deferred tax on transactions recognised directly in equity	–	–	–	–	–	32	– 246	–	–	– 214
Net profit 30 June 2007	–	–	1,337	–	–	–	–	–	3	1,340
30 June 2007	**654**	**1,911**	**19,000**	**– 881**	**112**	**120**	**– 784**	**– 34**	**7**	**20,105**

See also Note [23]

Statement of Income and Expenses recognised directly in Equity for the period from 1 January to 30 June

in euro million	2007	2006
Fair value gains and losses on available-for-sale investments recognised directly in equity	– 102	– 456
Fair value gains and losses on financial instruments used for hedging purposes recognised directly in equity	– 90	326
Exchange differences arising on the translation of foreign subsidiaries	– 44	– 206
Actuarial gains and losses on defined benefit pension and similar obligations	577	636
Deferred tax on gains and losses recognised directly in equity	– 214	– 325
Gains and losses recognised directly in equity	**127**	**– 25**
Profit after tax attributable to shareholders of BMW AG	**1,337**	**1,734**
Aggregate amount of net profit for period and gains and losses recognised directly in equity	**1,464**	**1,709**

[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 June 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 June 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 Responsibility Statement made by the company's legal representatives complies with German Accounting Standard No. 16 (GAS 16 Near Final Draft) – 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 June 2007 totalled euro 5.0 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 second quarter 2007 include, besides BMW AG, 47 German and 151 foreign subsidiaries. This includes 17 special securities funds and 19 trusts, almost all of which are used for asset backed financing.

BMW Fuhrparkmanagement Beteiligungs GmbH, Stuttgart, and LHS Leasing- und Handelsgesellschaft Deutschland mbH, Stuttgart, were consolidated for the first time in the second quarter 2007.

British Motor Holding Ltd., Bracknell, ceased to be a consolidated company in the second quarter.

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, and LHS Leasing- und Handelsgesellschaft Deutschland mbH, Stuttgart, were consolidated for the first time in the first half of 2007.

BMW Renting Iberica S. L., Madrid and British Motor Holding Ltd., Bracknell were no longer consolidated companies in the first half year 2007.

Compared to the second quarter last year, 12 German and foreign subsidiaries and two 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 and its subsidiaries, LHS Leasing- und Handelsgesellschaft Deutschland mbH, DSL Fleetservices GmbH, Stuttgart, LHS Autoland GmbH, Stuttgart, and MOBIDIG GmbH, Stuttgart, was concluded on 2 April 2007. All of the shares of this entity were acquired. DEKRA SüdLeasing Services GmbH operates in the meantime as 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:

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

Intangible assets include the following identifiable assets which are measured at their fair value:
– contract portfolio
– customer relationships
– contract management system
These intangible assets are depreciated 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.

For the second quarter 2007, BMW Fuhrparkmanagement Beteiligungs GmbH, Stuttgart, and LHS Leasing- und Handelsgesellschaft Deutschland mbH, Stuttgart, generated a net loss of euro 2.0 million.

Second-quarter net revenues of the two entities amounted to euro 113 million.

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. In the future, these entities will operate as 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 (part of DaimlerChrysler) on 11 July 2007 in line with agreements in place between the various parties.

[4] New financial reporting rules

(a) Financial reporting rules applied for the first time in the second quarter 2007

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

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

The International Financial Reporting Interpretations Committee published the Interpretation IFRIC 13 (Customer Loyalty Programme) in the second quarter 2007. This Interpretation is required to be applied to financial years beginning on or after 1 July 2008. This Interpretation will not have a significant impact on the BMW Group.

[5] Revenues

Revenues by activity comprise the following:

in euro million	2nd quarter 2007	2nd quarter 2006	1 January to 30 June 2007	1 January to 30 June 2006
Sales of products and related goods	11,569	10,626	20,731	19,690
Income from lease instalments	1,257	1,007	2,415	2,003
Sales of products previously leased to customers	1,041	912	1,915	1,770
Interest income on loan financing	579	465	1,124	914
Other income	237	183	449	434
Revenues	**14,683**	**13,193**	**26,634**	**24,811**

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

[6] Cost of sales

Cost of sales in the second quarter include euro 2,684 million (second quarter 2006: euro: 2,232 million) relating to financial services business. For the period from 1 January to 30 June 2007, euro 5,116 million (first half-year 2006: euro 4,421 million) relates to financial services business.

[7] Sales and administrative costs

Sales costs in the second quarter amounted to euro 1,210 million (second quarter 2006: euro 1,043 million). For the first half of 2007, they amounted to euro 2,211 million (first half-year 2006: euro 1,990 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative costs in the second quarter amounted to euro 287 million (second quarter 2006: euro 244 million), and in the first half of the year to euro 507 million (first half-year 2006: euro 453 million). These comprise expenses for administration which are not attributable to development, production or sales functions.

[8] Research and development costs

Second-quarter research and development costs amounting to euro 835 million (second quarter 2006: euro 598 million) comprise all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to euro 267 million (second quarter 2006: euro 192 million). For the six-month period, research and development costs amounted to euro 1,472 million (first half-year 2006: euro 1,207 million). This includes amortisation on capitalised development costs of euro 517 million (first half-year 2006: euro 370 million).

[9] Other operating income and expenses

The main items included in other operating income and expenses are gains and losses from foreign currency transactions, income/expense arising from the reversal of/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 second quarter amounted to euro 10 million (second quarter 2006: euro 9 million). For the first half of the year, the equivalent figure was euro 3 million (first half-year 2006: euro 10 million). This includes the result of the joint venture, BMW Brilliance Automotive Ltd., Shenyang.

[11] Sundry other financial result

in euro million	2nd quarter 2007	2nd quarter 2006	1 January to 30 June 2007	1 January to 30 June 2006
Result on investments	1	– 3	1	1
Net interest expense	– 34	– 57	– 82	– 112
Sundry other financial result	69	23	64	480
Other financial result	**36**	**– 37**	**– 17**	**369**

[12] Income taxes

Taxes on income comprise the following:

in euro million	2nd quarter 2007	2nd quarter 2006	1 January to 30 June 2007	1 January to 30 June 2006
Current tax expense	206	304	426	561
Deferred tax expense	106	141	151	232
Income taxes	**312**	**445**	**577**	**793**

The effective tax rate at 30 June 2007 was 30.1 % (first half-year 2006: 31.4 %).

[13] Earnings per share

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

		2nd quarter 2007	2nd quarter 2006	1 January to 30 June 2007	1 January to 30 June 2006
Profit attributable to the shareholders	euro million	750.7	787.3	1,336.9	1,734.5
Profit attributable to common stock	euro million (rounded)	691.2	724.6	1,231.1	1,596.6
Profit attributable to preferred stock	euro million (rounded)	59.5	62.7	105.8	137.9
Average number of common stock shares in circulation	number	601,995,196	601,995,196	601,995,196	602,928,149
Average number of preferred stock shares in circulation	number	51,446,162	51,890,850	51,446,162	51,890,850
Earnings per share of common stock	euro	**1.15**	**1.20**	**2.05**	**2.64**
Earnings per share of preferred stock	euro	**1.16**	**1.21**	**2.06**	**2.65**

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 work and software. Capitalised development costs at 30 June 2007 amounted to euro 4,901 million (31 December 2006: euro 4,810 million). Capital expenditure for development costs in the first half of 2007 amounted to euro 608 million (first half-year 2006: euro 600 million). Amortisation amounted to euro 517 million (first half-year 2006: euro 370 million). In addition, intangible assets include goodwill of euro 163 million (31 December 2006: euro 66 million). This relates to earlier business acquisitions within the softlab Group and to the addition arising in the period in conjunction with 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 six months of 2007 was euro 1,115 million (first half-year 2006: euro 852 million). The depreciation expense for same period amounted to euro 1,190 million (first half-year 2006: euro 1,099 million).

[16] Leased products

Additions to leased products and depreciation thereon amounted to euro 5,089 million (first half-year 2006: euro 4,373 million) and euro 1,043 million (first half-year 2006: euro 759 million) respectively. Disposals amounted to euro 2,300 million (first half-year 2006: euro 2,154 million). The translation of foreign currency financial statements resulted in a net negative translation difference of euro 165 million (first half-year 2006: net negative translation difference of euro 635 million). First-time consolidations resulted in a net addition of euro 697 million.

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

Investments accounted for using the equity method relate to interests in joint ventures.

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 32,891 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 19,371 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	30.6.2007	31.12.2006
Interest and currency derivatives	1,093	1,321
Marketable securities and investment funds	2,087	2,034
Loans to third parties	20	67
Other	673	528
Financial assets	**3,873**	**3,950**
thereof non-current	909	816
thereof current	2,964	3,134

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

[20] Income tax assets

Income tax assets can be analysed as follows:

30 June 2007 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	839	839
Current tax	353	–	353
Income tax assets	**353**	**839**	**1,192**

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	30.6.2007	31.12.2006
Other taxes	550	584
Receivables from subsidiaries	459	693
Receivables from other companies in which an investment is held	131	202
Prepayments	694	683
Sundry other assets	529	488
Other assets	**2,363**	**2,650**
thereof non-current	450	378
thereof current	1,913	2,272

[22] **Inventories**

Inventories comprise the following:

in euro million	30.6.2007	31.12.2006
Raw materials and supplies	753	689
Work in progress, unbilled contracts	974	911
Finished goods	5,917	4,280
Goods for resale	976	914
Inventories	**8,620**	**6,794**

Inventories of finished goods increased as a result of making vehicles available to dealers (initial provisioning) in conjunction with the introduction of new models.

[23] **Equity**

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

Number of shares issued

At 30 June 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 again authorised the Board of Management to acquire treasury shares via the stock exchange, up to a maximum of 10 % of the share capital issued 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 half 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 June 2007 amounted to euro 20,098 million (31 December 2006: euro 19,126 million).

Equity attributable to minority interests amounted to euro 7 million (31 December 2006: euro 4 million). This includes a minority interest of euro 3 million in subsidiaries' results for the period (31 December 2006: euro 6 million).

[24] Other provisions

Other provisions, at euro 5,567 million (31 December 2006: euro 5,536 million) include primarily personnel-related obligations and obligations for ongoing operational expenses.

Current provisions at 30 June 2007 amounted to euro 2,728 million (31 December 2006: euro 2,671 million).

[25] Income tax liabilities

30 June 2007 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	3,183	3,183
Current tax	351	388	739
Income tax liabilities	**351**	**3,571**	**3,922**

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 739 million (31 December 2006: euro 567 million) comprises euro 604 million (31 December 2006: euro 479 million) for tax provisions and euro 135 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	30.6.2007	31.12.2006
Bonds	17,377	16,420
Liabilities to banks	5,286	4,288
Liabilities from customer deposits (banking)	5,599	5,781
Commercial paper	5,657	4,154
Asset backed financing transactions	5,014	4,501
Interest and currency derivatives	671	596
Other	779	716
Financial liabilities	**40,383**	**36,456**
thereof non-current	21,520	18,800
thereof current	18,863	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	30.6.2007	31.12.2006
Other taxes	623	553
Social security	40	41
Advance payments from customers	483	278
Deposits received	149	143
Liabilities to subsidiaries	31	40
Liabilities to other companies in which an investment is held	3	–
Deferred income	2,752	2,577
Sundry other liabilities	2,423	2,224
Other liabilities	**6,504**	**5,856**
thereof non-current	2,095	1,932
thereof current	4,409	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 second 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 second 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 second quarter 2007. 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.

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 second 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	11,247	10,234	394	413	2,990	2,495	52	51	14,683	13,193
Inter-segment revenues	3,010	2,709	2	6	459	374	–3,471	–3,089	–	–
Total revenues	**14,257**	**12,943**	**396**	**419**	**3,449**	**2,869**	**–3,419**	**–3,038**	**14,683**	**13,193**
Profit before financial result	824	990	59	59	181	180	–45	31	1,019	1,260
Result from equity accounted investments	10	9	–	–	–	–	–	–	10	9
Other net financial result	–33	–52	–3	–3	8	–	64	18	36	–37
Profit before tax	**801**	**947**	**56**	**56**	**189**	**180**	**19**	**49**	**1,065**	**1,232**
Return on sales %	5.6	7.3	14.1	13.4	5.5	6.3	–	–	7.3	9.3

Segment information for the first half 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	20,108	19,089	758	723	5,669	4,905	99	94	26,634	24,811
Inter-segment revenues	5,567	5,085	5	9	863	702	– 6,435	– 5,796	–	–
Total revenues	**25,675**	**24,174**	**763**	**732**	**6,532**	**5,607**	**– 6,336**	**– 5,702**	**26,634**	**24,811**
Profit before financial result	1,485	1,705	95	89	369	356	– 18	– 1	1,931	2,149
Result from equity accounted investments	3	10	–	–	–	–	–	–	3	10
Other net financial result	– 78	– 7	– 5	– 4	3	– 3	63	383	– 17	369
Profit before tax	**1,410**	**1,708**	**90**	**85**	**372**	**353**	**45**	**382**	**1,917**	**2,528**
Return on sales %	5.5	7.1	11.8	11.6	5.7	6.3	–	–	7.2	10.2

Responsibility Statement pursuant to § 37 y of the German Securities Trading Act (WpHG) in conjunction with § 37 w (2) no. 3 WpHG
"To the best of our knowledge, and in accordance with the applicable principles for interim financial reporting, the interim group financial statements give a true and fair view of the net assets, financial position and results of operation of the group, and the interim group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year."

Bayerische Motoren Werke
Aktiengesellschaft

Board of Management

Q2

Financial calendar

Interim Report to 30 September 2007	6 November 2007
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

Contacts

Business Press
Telephone +49 89 382-2 33 62
+49 89 382-2 41 18
Fax +49 89 382-2 44 18
E-mail presse@bmwgroup.com

Investor Relations
Telephone +49 89 382-2 42 72
+49 89 382-2 53 87
Fax +49 89 382-2 44 18
E-mail ir@bmwgroup.com

The BMW Group on the Internet

Further information about the BMW Group is available online at www.bmwgroup.com.
Investor Relations information is available directly at www.bmwgroup.com/ir.
Information about the various BMW Group brands is available at www.bmw.com, www.mini.com and www.rolls-roycemotorcars.com.

Published by
Bayerische Motoren Werke
Aktiengesellschaft
80788 Munich
Germany
Telephone +49 89 382-0