

Interim Report to 31 March 2007

Q1



Rolls-Royce
Motor Cars Limited



BMW Group

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

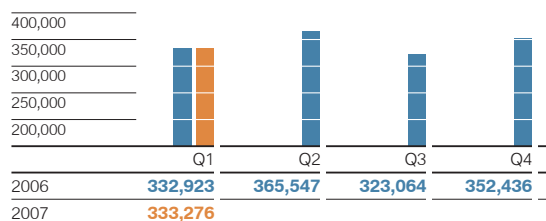
BMW Group in figures		1st quarter 2007	1st quarter 2006	Change in %	
Vehicle production					
Automobiles	units	382,019	344,734	10.8	
Motorcycles ¹⁾	units	35,795	29,540	21.2	
Deliveries to customers					
Automobiles	units	333,276	332,923	0.1	
Motorcycles	units	23,029	19,051	20.9	
Workforce at end of quarter		106,855	106,179	0.6	
Operating cash flow		euro million	1,253	1,221	2.6
Revenues		euro million	11,951	11,618	2.9
Profit before tax²⁾		euro million	852	1,296	-34.3
Thereof:					
Automobiles	euro million	609	761	-20.0	
Motorcycles	euro million	34	29	17.2	
Financial Services	euro million	183	173	5.8	
Reconciliations	euro million	26	333	-92.2	
Income taxes		euro million	-265	-348	-23.9
Net profit		euro million	587	948	-38.1
Earnings per share³⁾		euro	0.90/0.90	1.44/1.44	-37.5/-37.5

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

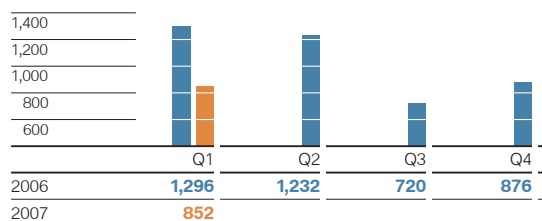
2) Profit before tax for the first quarter 2006 includes an accounting gain of euro 375 million arising from the partial settlement of the exchangeable bond on shares in Rolls-Royce plc, London.

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.

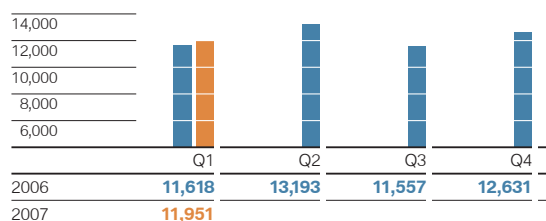
Deliveries of automobiles in units



Profit before tax in euro million



Revenues in euro million



BMW Group on course in the first quarter 2007

As predicted, the BMW Group's performance in the first quarter 2007 was characterised by a moderate increase in the number of cars sold. In total, 333,276 BMW, MINI and Rolls-Royce brand cars were delivered to customers during the first three months of 2007. Despite the effect of various model life-cycle factors, the previous year's equivalent sales volume figure was therefore marginally improved on (+0.1%) and a new first-quarter record set.

In the motorcycle business, the positive trend seen in the previous year continued. 23,029 BMW motorcycles were sold, also representing a new sales volume record for a first quarter. The increase over the same quarter last year was particularly boosted by pre-seasonal buying due to the mild winter in Europe.

Financial services business continued to perform well. This was underlined, amongst other achievements, by a sharp increase in the number of lease and financing contracts in place with dealers and retail customers. A portfolio of 2,337,645 contracts was under management at 31 March 2007, corresponding to an increase of 10.3% compared to one year earlier.

Earnings influenced by model life-cycles and currency impact

Group revenues for the three-month period rose by 2.9% to euro 11,951 million, thus reaching a new all-time high for a first quarter. Changes in the US dollar and Japanese yen exchange rates against the euro held down the increase in revenues for the quarter under report. Adjusted for exchange rate factors, group revenues would have increased by 6.1%.

Group profit before tax for the first quarter 2007, at euro 852 million, was down by 34.3%. It should be noted that first-quarter earnings in 2006 had benefited significantly from the euro 375 million gain recognised on the settlement of the exchangeable bond on shares in Rolls-Royce plc, London. Further gains also arose in the first quarter 2007 in conjunction with the exchangeable bond and the remaining investment in Rolls-Royce plc, London. A detailed description is given in the analysis of the Interim Group Financial Statements on page 13. Adjusted for these exceptional items, the first-quarter profit before tax decreased by 11.7%. This reflects in part the significantly higher level of expenditure incurred

introducing new and revised models onto the market. The continuing weakness of the US dollar against the euro, combined with the exchange rate impact of the Japanese yen, also had a negative impact on earnings.

The group profit after tax for the first quarter 2007 amounted to euro 587 million and was 38.1% lower than in the previous year. This development was also significantly influenced by the tax-exempt gain recognised in the previous year.

Workforce figure virtually unchanged

The BMW Group had a worldwide workforce of 106,855 employees at 31 March 2007, marginally higher (+0.3%) than at 31 December 2006. Compared to the end of the first quarter 2006, the workforce grew by 0.6%.

Numerous new models over the course of 2007

The BMW Group introduced numerous new vehicles onto the markets during the first quarter 2007. The revised BMW 1 Series, BMW 5 Series Sedan and BMW 5 Series Touring have all been available to customers since the end of March. In addition to optical refinements, each of these model series has also been improved by technological innovations, including further measures to optimise fuel consumption. The new BMW 3 Series Convertible has also been on the market since the end of March. For the first time, the BMW Group has brought out a convertible featuring a retractable hardtop. After its successful introduction in the USA in November 2006, the new BMW X5 was also launched in Europe and Asia at the end of March this year.

The new MINI has also been available on all major markets since the end of March. The MINI One and the MINI Cooper D were both launched in April, and the MINI Clubman will follow in the course of 2007. The three-door version of the BMW 1 Series will become available from May onwards, and the BMW M5 Touring will be introduced one month later. Delivery of the first Rolls-Royce Phantom Drophead Coupé will commence in summer 2007.

The Motorcycle segment's performance in 2007 will be strongly influenced by its on-going product initiative. The G 650 X Series and K 1200 R Sport models, initially presented in October 2006, were both introduced in March. The HP2 Megamoto will be launched in June. Anti-Slip Control (ASC)

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

technology has been available for the main Boxer and K Series models since January, representing a new milestone in motorcycle safety engineering. Further product innovations will follow in the course of the year.

Process of internationalisation continued

The BMW Group's sales company in India was opened on 1 January 2007 and the Group's sales organisation also commenced operations in Slovenia at the beginning of the year. The official opening of the plant in Chennai, India, took place on March 28. The BMW Group is therefore now represented internationally with 23 production facilities in 13 countries and with 39 sales companies.

Global economy continues to grow

The BMW Group forecasts a slight slowdown in the global economic growth for 2007 compared to the previous year. This will largely reflect lower growth rates in the USA and in most European countries. By contrast, Japan is likely to continue the robust growth of recent years. Based on the BMW Group assessment, the emerging countries of Asia, Eastern Europe and Latin America will also register slightly lower growth rates in 2007, even though still significantly higher than those of the industrial countries.

The high level of raw material and energy prices, which have seen further hikes of late, represents one of the major risks that could jeopardise the global economic upswing. In the euro region, the risk of a stronger euro against most other currencies continues to be a key factor.

International automobile markets continue to diverge

After the previous year's contraction in the USA and Japan and the slight growth in Western Europe, the traditional automobile markets in these regions are unlikely to generate significant momentum in 2007. Whilst Japan will, at best, see a small increase in sales volumes, the markets in the USA and Western Europe are likely to contract. The German market will contribute to the contraction in Europe as a consequence of the value added tax increase that came into effect at the beginning of the year. In sharp contrast, the emerging countries will continue to enjoy

robust growth, with the Asian markets again registering the highest growth rates.

Outlook unchanged

Against the backdrop of the general economic environment described above, the BMW Group continues to predict that it will continue to make good progress in 2007.

The Automobiles segment's first-quarter sales volume figures correspond to the BMW Group's expectations. Whilst sales volume growth is likely to be moderate during the early months of the year, it is expected to become much stronger during the second half of the year. For the full year, the BMW Group continues to forecast a sales volume increase in the high single-digit percentage range and new high levels for all three brands.

Adverse external factors, such as the foreign exchange impact and high raw material prices, will continue to influence the reported earnings of the Automobiles segment in 2007. Nonetheless, the BMW Group aims to improve on pre-tax segment earnings, with the positive sales volume trend and on-going efficiency improvement measures both helping to improve profitability.

The BMW Group forecasts that the various motorcycle markets will continue to develop divergently in 2007. Numerous new models, the related entry into new segments and intensified market activities will again have a positive impact on business development.

The BMW Group's Financial Services business will continue to perform well in 2007. The segment is responding to increased refinancing costs, caused by higher interest rates, by purposefully expanding its activities across all lines of business. The BMW Group believes that financial services will continue to play a highly significant role in the volume of vehicles sold, thus making it likely that the business volume of the Financial Services segment will continue to rise.

With the exchangeable bond option on the BMW Group's investment in Rolls-Royce plc, London, largely settled in 2006, reconciliations to group profit will not benefit from any comparable positive earnings impact in 2007.

Foreign exchange rate factors and the on-going high price level on the international commodity

markets will continue to influence earnings in 2007. Growth in the operating segments as well as continuous efficiency and productivity improvements will continue to have a positive impact on group earnings. Based on the general economic environment and segment forecasts discussed above, the BMW Group anticipates that it will continue to make good progress in 2007. Excluding the one-time gain on the Rolls-Royce exchangeable bond, the Group aims to achieve higher pre-tax group earnings in 2007 than in the previous year. The extent of the improvement in earnings will largely depend on whether opportunities arise to improve group earnings against a background of adverse currency factors, high raw material prices, changes in interest rates and greater competition. The BMW Group is rising to these challenges by achieving sales volume growth and continuously improving efficiency.

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

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

Small sales volume increase in first quarter

As forecasted at the beginning of the year, the BMW Group's automobile business was affected by model life-cycle factors in the first quarter 2007. The BMW Group is, however, expecting a significant rise in unit sales as the year progresses.

A total of 333,276 BMW, MINI and Rolls-Royce brand cars were handed over to customers in the first quarter. Despite model life-cycle factors, the high sales volume level recorded in the corresponding quarter last year was therefore just surpassed (+0.1%).

The sales volume of BMW brand cars for the three-month period edged up by 1.0% to 286,185 units. This small growth was achieved in spite of the fact that the BMW 1 Series and BMW 5 Series model changes, the model launch of the new BMW X5 in Europe and BMW 3 Series Convertible only took place in March.

With a first-quarter sales volume of 46,978 units, the number of MINI brand vehicles sold was down by 5.1% due to model life-cycle factors, including the fact that the MINI One and MINI Cooper D models were only launched in April 2007.

With 113 vehicles sold, the Rolls-Royce brand exceeded the previous year's figure by 5.6%, with the main impetus coming from the North American and Chinese markets.

Divergent sales volume performance on the markets

Sales volumes recorded by the BMW Group in the first quarter 2007 developed divergently from market to market. This was largely due to staggered market launch dates for the new and revised BMW and MINI brand models.

In North America, where the new BMW X5 has been available since November 2006, the BMW Group sold a total of 80,690 vehicles in the first three months of 2007, 4.7% more than in the same

period last year. The sales volume growth in the USA was 3.9%, with 75,475 units sold.

In Europe*, the BMW Group sold 197,383 vehicles in the first quarter 2007, 2.7% fewer than in the same quarter last year. This was mainly due to market developments in Germany* where sales volume dropped by 12.8% to 62,789 units during the period under report. In addition to the effect of model life-cycle factors, the German market was also affected by the 2007 increase in value added tax which resulted in a wave of pre-buying in 2006. In the United Kingdom, the BMW Group sold a total of 38,624 vehicles in the first quarter 2007, up by 5.5% against the previous year. Whilst the sale volume figures of 24,686 deliveries (-4.1%) in Italy and 15,060 (-1.8%) in Spain fell short of the previous year, the number of vehicles sold in France rose by 8.2% to 13,546 units sold.

The BMW Group's first-quarter sales volume on the Asian markets rose sharply, with the number of cars sold increasing to 35,359 units (+9.7%). A total of 15,812 vehicles was sold in Japan, 5.6% more than in the first quarter last year. The BMW Group grew strongly in the Chinese markets (China, Hong Kong and Taiwan) with a total of 12,430 vehicles sold (+25.2%).

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

BMW brand sales volume affected by model life-cycle factors

Despite model life-cycle factors, the number of BMW brand cars sold (286,185 units) was 1.0% up on the previous year, thus reaching a new high level for a first quarter.

The sales volume generated by the BMW 1 Series during the first quarter fell by 13.0% to 32,726 units due to model life-cycle factors. The launch of the revised BMW 1 Series was commenced at the end of March and will be followed by the three-door version in May. As a result of these model

Automobiles		1st quarter 2007	1st quarter 2006	Change in %
Production	units	382,019	344,734	10.8
Deliveries to customers	units	333,276	332,923	0.1
Revenues	euro million	11,418	11,231	1.7
Profit before tax	euro million	609	761	-20.0
Workforce at end of quarter		98,592	98,495	0.1

changes, the BMW Group expects a significant rise in demand for the BMW 1 Series over the course of the year.

A total of 134,582 BMW 3 Series cars was sold in the first quarter of 2007, an increase of 9.7% compared to the previous year. The BMW 3 Series Sedan accounted for 82,755 of the total (-2.3%). The BMW 3 Series Touring achieved a sales volume of 26,833 units, surpassing the previous year's first-quarter figure by 2.8%. The sales volume of the BMW 3 Series Coupé, available since September 2006, rose sharply in the first three months and totalled 21,221 units (+266.8%). The new BMW 3 Series Convertible has been on the market since the end of March. 3,745 units of this model were delivered to customers during the first quarter (-37.1%).

The revised model of the BMW 5 Series has also been available to customers since the end of March. As a result of the model change, the first-quarter sales volume of BMW 5 Series, at 51,252 units, was 11.4% down on the previous year. This includes 40,047 units of the BMW 5 Series Sedan (-9.9%) and 11,205 units of the BMW 5 Series Touring model (-16.2%).

Unit sales of the BMW 6 Series fell by 12.1% to 4,493 vehicles. The sales volume of the BMW 6 Series Coupé decreased to 2,295 units (-16.7%) and that of the BMW 6 Series Convertible to 2,198 units (-6.6%).

Now in its sixth year since market introduction, the BMW 7 Series was unable to match the high first-quarter sales figure achieved in the previous year. A total of 9,690 BMW 7 Series vehicles were handed over to customers (-17.4%).

First-quarter demand for the revised Sports Activity Vehicle BMW X3 was well ahead of the previous year. The sales volume of this model series increased by 16.2% to 29,247 units.

The new BMW X5 has been available on the North American markets since November 2006 and in Europe and Asia since the end of March this year. As a result of this staggered market launch, the first-quarter sales volume of 17,459 units achieved by the BMW X5 remained well below the previous year's figure (-12.3%). The new BMW X5 has been very positively received in the USA, with a total of 9,070 BMW X5 units sold in the first quarter (+26.4%).

First-quarter sales of the BMW Z4 models which were revised or launched in 2006, doubled,

with the sales volume rising by 108.7% to 6,732 units.

MINI brand sales volume affected by model change

With 46,978 units delivered, the first-quarter sales volume of the MINI brand was down by 5.1% against its previous year's level as a result of model life-cycle factors. The new MINI is being sold on all of the world's major markets since March. Increasing availability of the new MINI, as well as the expansion of the model range to include both the new MINI Cooper D and the new MINI One in April, will lead to a sharp rise in sales volume for the MINI brand in the coming months. The market launch of the MINI Clubman is also planned for this year.

Rolls-Royce armoured vehicle announced

A total of 113 Rolls-Royce Phantom was handed over to customers in the first quarter, 5.6% more than in the previous year. Market launch activities for the Phantom Drophead Coupé this summer are running according to plan and the entire production of this vehicle for 2007 is already covered by customer orders.

In April, Rolls-Royce Motor Cars also announced the introduction of a further version of the Phantom, the Phantom Armoured. This vehicle will fulfil the highest current international safety standards and will be available initially in Europe and the Middle East.

Sharp increase in BMW Group vehicle production volume

The BMW Group manufactured a total of 382,019 vehicles during the first quarter 2007, an increase of 10.8% over the previous year.

The BMW production network was greatly affected by the numerous launches of either new or revised models in the first quarter 2007. The production volume of BMW brand vehicles rose by 8.0% to 324,942 units.

The number of MINI brand vehicles manufactured also rose sharply in the first quarter. Extensive capacity expansion measures carried out at the plants of the MINI Production Triangle in the first quarter last year had restricted production volume during that period. With full capacity now available, a total of 56,863 MINI brand cars was manufactured in the first quarter 2007, representing an increase of

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

29.9%. Six years after commencement of series production, the one-millionth MINI rolled off the production lines at the Oxford plant in April.

Preparations are underway at the Rolls-Royce plant in Goodwood for the manufacture of the Phantom Drophead Coupé. 214 Rolls-Royce motor vehicles were built at the plant in the first quarter 2007, 33.8% more than in the previous year. Since the start of production, over 3,000 hand-built Rolls-Royce Phantoms have left the Goodwood manufacturing plant.

Market launch costs and exchange rate factors hold down earnings

First-quarter revenues of the Automobiles segment rose by 1.7% to euro 11,418 million, thus reflecting the robust sales volume performance. Excluding the exchange rate impact, segment revenues would have risen by 4.8%.

Segment profit before tax for the first quarter 2007 was significantly influenced by model life-cycle factors. The sharp rise in market launch costs for new and revised models held down earnings. Currency factors and high raw material prices also had a negative impact on Automobiles segment earnings. The first-quarter segment profit before tax of euro 609 million was 20.0% down on the previous year.

Automobiles segment workforce size remains stable

The BMW Group employed 98,592 people in the Automobiles segment at 31 March 2007, practically identical to last year's figure (+0.1%).

Motorcycle sales volume up sharply

The motorcycle markets relevant for the BMW Group developed positively overall in the first quarter 2007. The 500 cc plus class sector registered a first-quarter growth rate of 2.1%. The motorcycle markets grew especially in Europe due to the mild winter which encouraged pre-seasonal buying. Compared to the first quarter 2006, the growth rate was 12.0%. In Germany, the 500 cc plus market outperformed the previous year's figure by 9.1%, the first increase recorded in a first quarter for seven years. In the USA, however, the previous year's mark could not quite be reached, with the 500 cc plus motorcycle market showing a slightly decreasing tendency, albeit at a high level (-1.7%). The Japanese motorcycle market contracted by 18.2% in the first quarter 2007.

Unit sales achieved by the BMW Motorcycles segment reflected the positive development of the markets. With a sales volume of 23,029 units and a growth rate of 20.9%, the segment achieved a new high level for a first quarter.

The BMW Group sold 16,209 motorcycles in Europe in the first three months of 2007, surpassing the previous year's equivalent figure by 14.3%. The Motorcycles segment registered especially high growth in the United Kingdom, where the sale of 1,147 units represented a 33.1% jump against the previous year. In France, the first-quarter sales volume figure of 1,666 units was 10.0% up on the previous year. In Italy, too, the sales volume figure of 4,026 units was 9.8% higher than in the first quarter last year. The 1,989 units sold in Spain represented a sale volume increase of 9.6%. A total of 4,142 units (+8.5%) was sold in Germany, the largest single market for BMW motorcycles.

In the USA, the BMW Group sold a total of 2,694 motorcycles in the first quarter, 16.9% more than in the previous year. Sales of the F 800 S and F 800 ST models made a significant contribution

to this increase; these models have been available in the USA since the beginning of 2007. The positive sales performance of BMW motorcycles in Japan and South Africa has continued into 2007. The BMW Group sold 655 units in Japan (+25.5%) and 790 units in South Africa (+12.5%).

R 1200 GS again best-selling BMW motorcycle

The R 1200 GS long-distance enduro again topped the list of best-selling BMW motorcycles. Including the Adventure model, a total of 7,377 units was delivered to customers in the first quarter. Second place was taken by the R 1200 RT tourer with a total of 2,529 units sold. The R 1200 R, which has been available on the market since September 2006, took third place with 2,455 units sold. The popularity of this roadster was also confirmed through its selection by the magazine "Motorrad" as "Motorcycle of the Year 2007" in this category.

Motorcycle production volume well above previous year's level

A total of 35,795 BMW motorcycles was manufactured in the first quarter 2007, equivalent to a growth rate of 21.2%. 31,901 motorcycles rolled off the production lines at the BMW Berlin plant, and 3,894 units were manufactured at Piaggio S.p.A., Noale, Italy.

Segment revenues and earnings both improved

First-quarter segment revenues rose by 17.3% to euro 367 million. Almost exactly in line with that increase, segment profit before tax rose by 17.2% to euro 34 million.

Workforce figure slightly lower

The BMW Group had a workforce of 2,765 employees in the Motorcycles segment at 31 March 2007, a reduction of 2.4% compared to one year earlier.

Motorcycles		1st quarter 2007	1st quarter 2006	Change in %
Production*	units	35,795	29,540	21.2
Deliveries to customers	units	23,029	19,051	20.9
Revenues	euro million	367	313	17.3
Profit before tax	euro million	34	29	17.2
Workforce at end of quarter		2,765	2,833	-2.4

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

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

Successful first quarter for Financial Services segment

The BMW Group's financial services business continued along its successful course in the first quarter 2007. Despite increasingly fierce competition, the business volume of the segment in balance sheet terms rose by 12.1% to euro 45,727 million. The number of lease and financing contracts in place with dealers and retail customers at 31 March 2007 totalled 2,337,645 units, an increase of 10.3% compared to one year earlier. The proportion of new cars of the BMW Group leased or financed by the Financial Services segment during the first quarter 2007 was 44.2%; this was 2.7 percentage points above the proportion recorded for the corresponding quarter in 2006.

Growth with retail customer business

238,560 new contracts were signed worldwide with retail customers during the first quarter 2007, 10.1% more than in the previous year. The increase was attributable to growth in both lease and credit financing business. Lease business contributed to this growth, with a 12.3% increase in the number of contracts signed. Credit financing grew by 8.9% compared to the same quarter last year. The proportions of new business relating to lease and credit financing business changed only marginally compared to the first quarter 2006, standing at 37.9% and 62.1% respectively.

In the area of used car financing, the number of new contracts increased by 9.3%. The proportion of used BMW cars covered by financing contracts changed only marginally (-0.3%).

In total, new credit and leasing contracts amounting to euro 6,271 million were signed with retail customers during the first quarter 2007, an increase of 5.4% compared to the corresponding quarter last year.

This is reflected in the overall contract portfolio which rose by 10.5% compared to one year earlier to stand at 2,139,885 units. Growth was spread across all regions: the number of retail customer contracts in Germany increased by 4.7%, whilst the remaining European markets and the Asia/Oceania/Africa region grew by 13.6% and 10.6% respectively. The Americas region, with 713,539 contracts, still has the largest contract portfolio. The increase compared to one year earlier was 12.7%.

Continuous growth for dealer financing

The Financial Services segment supports the BMW Group dealer organisation with a comprehensive range of products. In addition to the financing of vehicle inventories, these activities also include real estate and equipment financing. The total volume of dealer financing contracts managed by the Financial Services segment at the end of the first quarter 2007 stood at euro 7,239 million, 5.8% higher than one year earlier.

Fleet business contract portfolio continues to grow

The contract portfolio for fleet business continued to grow in the first quarter 2007. The volume of this line of business rose by 24.9% compared to the same quarter last year. At the end of the quarter, Alphabet entities had a portfolio of 186,114 contracts.

At the end of March, the EU Commission approved the take-over of Dekra SüdLeasing Services GmbH (in future: BMW Fuhrparkmanagement Beteiligungs GmbH) and its subsidiaries, amongst them LHS Leasing- und Handelsgesellschaft Deutschland mbH and DSL Fleetservices GmbH. The take-over was completed at the beginning of April. This deal gives rise, under the umbrella of BMW Group (to which Alphabet Fuhrparkmanage-

Financial Services		1st quarter 2007	1st quarter 2006	Change in %
New contracts with retail customers		238,560	216,584	10.1
Business volume*	euro million	45,727	40,796	12.1
Revenues	euro million	3,083	2,738	12.6
Profit before tax	euro million	183	173	5.8
Workforce at end of quarter		3,596	3,234	11.2

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

ment GmbH also belongs), to Germany's number three and Europe's number ten in the fleet business sector.

Banking activities influenced by stiff competition

Deposit business continues to be subject to intense competition, a trend which the BMW Group was not able to avoid. The segment's deposit volume worldwide was down by 10.9% compared to one year earlier to stand at euro 5,663 million at 31 March 2007. The number of securities custodian accounts rose to 29,936 accounts, 1,133 more than one year earlier.

Insurance business enjoying continuous growth

Business with insurance products, which are offered to customers in addition to financing and lease arrangements, continued to expand in the first quarter 2007. 84,870 new contracts were signed during the first quarter 2007, 3.4% more than in the same quarter last year. In total, the insurance contract portfolio comprised 843,048 contracts at the end of the quarter under report.

Internationalisation process continued

After receiving approval from the local authorities in mid-April, BMW Group Financial Services acquired SimeLease (Malaysia) Sdn Bhd and its subsidiary SimeCredit (Malaysia) Sdn Bhd. In the future, these entities will operate as BMW Lease (Malaysia) Sdn Bhd and BMW Credit (Malaysia) Sdn Bhd. This acquisition opens up further growth potential for BMW Group Financial Services.

Financial Services segment earnings increased

Despite tougher competition and less favourable refinancing conditions due to changing interest rate levels in the main currency regions, pre-tax segment earnings were higher than in the corresponding quarter last year. The Financial Services segment first-quarter profit before tax was euro 183 million and therefore 5.8% up on the previous year.

Further rise in workforce

The Financial Services segment had a workforce of 3,596 employees at 31 March 2007, an increase of 11.2% compared to one year earlier.

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

BMW stock in the first quarter 2007

In the first quarter 2007, the stock markets continued the positive trend seen in 2006. The US dollar exchange rate, one of the main external factors, fluctuated within a range of US dollar 1.29 to US dollar 1.34 to the euro during the first quarter 2007. Compared to its closing rate at the end of 2006, the US dollar lost 1.2% in value.

Export-orientated automobile stocks in particular performed well during the quarter. The Prime Automobile Performance Index also benefited from the positive trend set by the overall market. A number of exceptional situations in the sector resulted in an above-average rise in prices of stock making up the Index. The Prime Automobile Performance Index closed on 30 March 2007 at 700.30 points, 22.8% above its level at the end of 2006. The sector index for German automobile stocks therefore easily outperformed the market as a whole.

The leading German stock index, the DAX, also performed well. Following a gain of more than 20% in 2006, the DAX reached 7,027.51 points at 26 February 2007, one of its highest levels in recent years. The index closed at 6,917.03 points at the end of the quarter under report. The DAX therefore rose by 5.3% over the three month period. Compared to the end of the first quarter last year, the index was up by 15.9%.

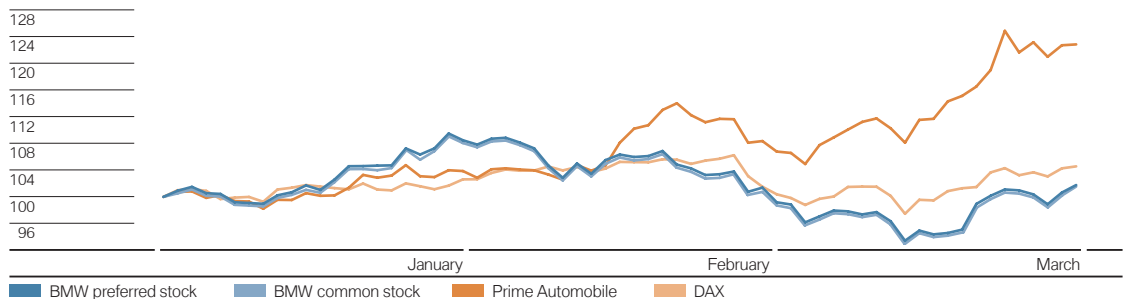
The price of BMW common stock also increased during the quarter under report. BMW common and preferred stock both improved at roughly the same rates during the three-month period, rising in value by 1.5% and 1.8% respectively. BMW common stock closed at a price of euro 44.17, therefore

finishing at the same level as BMW preferred stock. The difference between the two categories of stock decreased sharply during the three-month period, with the change in value almost identical.

BMW AG is again offering its employees the opportunity to participate in an employee share scheme in 2007. To this end, a total of 750,000 shares of preferred stock were acquired via the stock exchange during the first quarter 2007 at an average purchase price of euro 45.48 per share. These shares will be offered to employees for subscription at the end of 2007.

Development of BMW stock compared to stock exchange indices

(Index: 29.12.2006 = 100)



Earnings performance

As expected, the first-quarter earnings performance was characterised by a moderate increase in the number of cars sold. Reported earnings were negatively affected by the more pronounced effect of currency factors and the persistently high price level of raw materials. An increase in the number of market launches also resulted in higher selling costs.

For the purposes of a quarterly comparison, it must also be noted that earnings in the first quarter 2006 included the exceptional effect (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.

Group revenues increased by 2.9% to euro 11,951 million. Excluding the effect of currency fluctuations, the increase was 6.1%. Within group revenues, external revenues of the Automobiles and Financial segments were 0.1% and 11.2% ahead of the first quarter 2006 respectively. External revenues of the Motorcycles segment increased by 17.4% compared to the first quarter 2006 thanks to improved sales volume figures. Revenues from other activities of the Group amounted to euro 47 million and related mainly to the softlab Group. The comparable figure for the same quarter last year was euro 43 million.

Cost of sales amounted to euro 9,213 million, the increase being 1.1 percentage points lower than the increase in revenues. In absolute terms, the gross profit increased by 6.5% compared to the previous year. The gross profit percentage was 22.9% (first quarter 2006: 22.1%).

The gross profit of Industrial operations was unchanged at 20.2% and that of Financial operations increased slightly (by 0.9 percentage points) to 10.9%.

Higher model launch costs, attributable to model life-cycle factors, resulted in a 5.7% increase in selling costs. This represents 8.4% (first quarter 2006: 8.2%) of revenues.

Research and development costs increased by 4.6% compared to the first quarter 2006, and represent 5.3% (first quarter 2006: 5.2%) of revenues. Research and development costs include amortisation of capitalised development costs amounting to euro 250 million (first quarter 2006: euro 178 million). Total research and development costs amounted to euro 670 million (first quarter 2006: euro 702 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. For the first quarter 2007, this gives a research and development expenditure ratio of 5.6% (first quarter 2006: 6.0%).

Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs increased by 18.8% to euro 861 million (first quarter 2006: euro 725 million).

The positive net amount from other operating income and expenses went down by euro 51 million, mainly as a result of lower impact from first-time consolidations.

The financial result was a net expense of euro 60 million, which represented a deterioration of euro 467 million against the previous year. As stated above, earnings in the first quarter 2006 included a gain of euro 375 million resulting from the partial

Revenues by segment in the 1st quarter in euro million	Revenues with third parties		Revenues with other segments		Total revenues	
	2007	2006	2007	2006	2007	2006
Automobiles	8,861	8,855	2,557	2,376	11,418	11,231
Motorcycles	364	310	3	3	367	313
Financial Services	2,679	2,410	404	328	3,083	2,738
Reconciliations	47	43	-2,964	-2,707	-2,917	-2,664
Group	11,951	11,618	-	-	11,951	11,618

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

settlement of the exchangeable bond option relating to the BMW Group investment in Rolls-Royce plc, London. In the first quarter 2007, further settlements of the exchangeable bond were made, giving rise to a gain of euro 42 million. By contrast, fair value measurement of the remaining exchangeable bond option obligation gave rise to a loss of euro 11 million, reported on the line “Sundry other financial result”. The corresponding amount recorded in the first three months of the previous year was a loss of euro 9 million. The result from other financial instruments deteriorated compared to the same quarter last year.

Within the financial result, the result from equity method accounting decreased by euro 8 million and the result from investments decreased by euro 4 million. Net interest expense was euro 7 million lower.

Excluding the impact of the partial settlement of the exchangeable bond on shares in Rolls-Royce plc, London, the profit before tax decreased by 11.7% compared to the first quarter last year. The income tax expense for the same period decreased by only euro 83 million. Mainly as a result of the lower tax-exempt gain arising on settlement of the exchangeable bond on shares in Rolls-Royce plc, London, the first-quarter effective tax rate increased to 31.1% (first quarter 2006: 26.9%).

The BMW Group generated a net profit of euro 587 million for the first quarter 2007, euro 361 million or 38.1% lower than for the first quarter 2006. Excluding the gain on the exchangeable bond, the

post-tax return on sales was 4.7% (first quarter 2006: 5.0%).

Earnings per share of common stock and preferred stock for the first quarter 2007 amounted to euro 0.90 (first quarter 2006: euro 1.44).

Earnings performance by segment

Revenues of the Automobiles segment for the first quarter 2007 increased by 1.7%. The segment profit before tax, at euro 609 million, was down by 20.0% compared to one year earlier.

First-quarter revenues of the Motorcycles segment increased by 17.3%. The segment profit before tax improved by euro 5 million to euro 34 million. The increase of 17.2% was largely in line with the increase in revenues.

Revenues of the Financial Services segment for the first quarter 2007 increased by 12.6%. Thanks to the higher business volume, the first-quarter segment profit before tax was up by 5.8%.

Reconciliations to the Group profit from ordinary activities were positive in the first quarter 2007 (net income of euro 26 million), representing a deterioration of euro 307 million compared to the same quarter 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

Profit before tax by segment	1st quarter 2007	1st quarter 2006
in euro million		
Automobiles	609	761
Motorcycles	34	29
Financial Services	183	173
Reconciliations	26	333
Profit before tax*	852	1,296
Income taxes	-265	-348
Net profit	587	948

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

cash flows for the first quarter 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 Group's cash inflow from operating activities during the first quarter 2007, at euro 2,466 million, remained practically unchanged from the level generated in the same period last year (euro 2,473 million).

The cash outflow for investing activities during the first quarter, at euro 3,578 million, was euro 1,201 million higher than in the previous year. Capital expenditure on intangible assets and property, plant and equipment resulted in the cash outflow for investing activities increasing by euro 193 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 954 million. 68.9% (first quarter 2006: 104.0%) of the cash outflow for investing activities was covered by the cash inflow from operating activities. The cash flow statement for Industrial operations shows coverage of 146.7% (first quarter 2006: 166.3%). 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 2,519 million from bond issues (first quarter 2006: euro 959 million) and outflows for repayments of euro 1,277 million (first quarter 2006: euro 964 million).

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group, the various cash flows resulted in a decrease in cash and cash equivalents of euro 82 million (first quarter 2006: increase of euro 354 million).

Net interest-bearing assets relating to Industrial operations (including receivables from Financial operations) amounted to euro 6,156 million at 31 March

2007. This represents an increase of euro 771 million since 31 December 2006. Net interest-bearing assets relating to Industrial operations comprise cash and cash equivalents (euro 1,232 million), marketable securities relating to Industrial operations (euro 2,027 million) and receivables from the Financial operations sub-group (euro 4,255 million) less financial liabilities relating to Industrial operations. Excluding interest and currency derivatives, the latter amounts to euro 1,358 million.

Net assets position

The balance sheet total of the BMW Group increased by euro 2,804 million or 3.5% compared to 31 December 2006. Adjusted for changes in exchange rates, the balance sheet total would have increased by 4.0%.

The main reason for this increase on the assets side of the balance sheet were inventories (+21.2%), leased-out products (+6.3%) and receivables from sales financing (+2.8%). On the equity and liabilities side of the balance sheet, the increase was due to the increase in trade payables (+17.6%), financial liabilities (+3.0%) and equity (+2.6%).

Leased-out products increased by euro 854 million. Excluding the effect of currency fluctuations, the increase would have been euro 94 million higher.

Receivables from sales financing were up by 2.8% to euro 31,231 million due to higher business volumes.

Compared to 31 December 2006, inventories increased by euro 1,438 million to euro 8,232 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 decreased by euro 62 million. This decrease was due partly to the euro 42 million reduction in the fair value of securities, mainly in conjunction with the further settlement of the exchangeable bond on shares in Rolls-Royce plc, London. Working in the opposite direction, the fair value of derivative financial instruments increased by euro 31 million; in addition, translation

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

differences reduced other accumulated equity by euro 51 million.

The equity ratio of the BMW Group fell overall by 0.2 percentage points to 24.0%. The equity ratio for Industrial operations was 40.7% (31 December 2006: 40.6%) and that for Financial operations was 10.5% (31 December 2006: 10.4%).

Other provisions, at euro 5,587 million, were euro 51 million higher than their level at 31 December 2006. Financial liabilities went up during the quarter by euro 1,077 million, mainly as a result of the higher level of bonds and commercial paper.

Other liabilities amounted to euro 6,200 million and were thus euro 344 million higher than at 31 December 2006. The increase was due mainly to accruals at the reporting date.

BMW Group
Group and sub-group Income Statements
for the 1st quarter

in euro million	Notes	Group		Industrial operations ¹⁾		Financial operations ¹⁾	
		2007	2006	2007	2006	2007	2006
Revenues	[4]	11,951	11,618	11,832	11,588	3,166	2,824
Cost of sales	[5]	-9,213	-9,047	-9,441	-9,252	-2,822	-2,541
Gross profit		2,738	2,571	2,391	2,336	344	283
Sales and administrative costs	[6]	-1,221	-1,156	-1,090	-1,036	-128	-124
Research and development costs	[7]	-637	-609	-637	-609	-	-
Other operating income	[8]	143	198	87	158	64	49
Other operating expenses	[8]	-111	-115	-69	-97	-53	-29
Profit before financial result		912	889	682	752	227	179
Result from equity accounted investments	[9]	-7	1	-7	1	-	-
Other financial result	[10]	-53	406	-4	417	-19	24
Financial result		-60	407	-11	418	-19	24
Profit before tax		852	1,296	671	1,170	208	203
Income taxes	[11]	-265	-348	-210	-306	-64	-66
Net profit		587	948	461	864	144	137
Attributable to minority interest		1	1	1	1	-	-
Attributable to shareholders of BMW AG		586	947	460	863	144	137
Earnings per share							
of common stock in euro	[12]	0.90	1.44				
Earnings per share							
of preferred stock²⁾ in euro	[12]	0.90	1.44				

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.

BMW Group Group and sub-group Balance Sheets

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

Assets in euro million	Notes	Group		Industrial operations*		Financial operations*	
		31.3.2007	31.12.2006	31.3.2007	31.12.2006	31.3.2007	31.12.2006
Intangible assets	[13]	5,369	5,312	5,335	5,276	34	36
Property, plant and equipment	[14]	11,199	11,285	11,175	11,260	24	25
Leased products	[15]	14,496	13,642	266	254	17,244	16,364
Investments accounted for using the equity method	[16]	55	60	55	60	–	–
Other investments	[16]	307	401	293	388	14	13
Receivables from sales financing	[17]	18,534	17,865	–	–	18,534	17,865
Financial assets	[18]	827	816	44	61	783	755
Deferred tax	[19]	798	755	1,232	1,192	–1,850	–1,828
Other assets	[20]	456	378	1,413	875	338	255
Non-current assets		52,041	50,514	19,813	19,366	35,121	33,485
Inventories	[21]	8,232	6,794	8,226	6,784	6	10
Trade receivables		2,352	2,258	2,295	2,214	57	44
Receivables from sales financing	[17]	12,697	12,503	–	–	12,697	12,503
Financial assets	[18]	3,064	3,134	2,337	2,348	727	786
Current tax	[19]	257	246	233	222	24	24
Other assets	[20]	1,964	2,272	4,087	5,574	848	772
Cash and cash equivalents		1,254	1,336	1,232	1,235	22	101
Current assets		29,820	28,543	18,410	18,377	14,381	14,240
Total assets		81,861	79,057	38,223	37,743	49,502	47,725
Total assets adjusted for asset backed financing transactions		77,713	74,556	–	–	45,354	43,224

* before consolidation of transactions between the sub-groups

Equity and liabilities in euro million	Notes	Group		Industrial operations*		Financial operations*	
		31.3.2007	31.12.2006	31.3.2007	31.12.2006	31.3.2007	31.12.2006
Subscribed capital		654	654				
Capital reserves		1,911	1,911				
Revenue reserves		18,707	18,121				
Accumulated other equity		-1,622	-1,560				
Treasury shares		-34	-				
Minority interest		5	4				
Equity	[22]	19,621	19,130	15,565	15,315	5,203	4,965
Pension provisions		5,055	5,017	5,024	4,983	31	34
Other provisions	[23]	2,819	2,865	2,420	2,462	399	403
Deferred tax	[24]	2,832	2,758	2,118	2,012	417	464
Financial liabilities	[25]	20,245	18,800	778	882	19,467	17,918
Other liabilities	[26]	2,059	1,932	1,536	1,458	2,310	1,732
Non-current provisions and liabilities		33,010	31,372	11,876	11,797	22,624	20,551
Other provisions	[23]	2,768	2,671	2,588	2,489	205	207
Current tax	[24]	637	567	494	437	143	130
Financial liabilities	[25]	17,288	17,656	692	1,407	16,596	16,249
Trade payables		4,396	3,737	3,947	3,288	449	449
Other liabilities	[26]	4,141	3,924	3,061	3,010	4,282	5,174
Current provisions and liabilities		29,230	28,555	10,782	10,631	21,675	22,209
Total equity and liabilities		81,861	79,057	38,223	37,743	49,502	47,725
Total equity and liabilities adjusted for asset backed financing transactions		77,713	74,556	-	-	45,354	43,224

* before consolidation of transactions between the sub-groups

BMW Group Group and sub-group Cash Flow Statements for the period from 1 January to 31 March

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

in euro million	Group	
	2007	2006
Net profit	587	948
Depreciation of leased products	1,135	988
Depreciation and amortisation of tangible, intangible and investment assets	861	725
Change in provisions	73	41
Change in deferred tax	45	51
Change in net current assets and other items	-235	-280
Cash inflow from operating activities	2,466	2,473
Investment in intangible assets and property, plant and equipment	-873	-680
Net investment in leased products and receivables from sales financing	-2,734	-1,780
Other	29	83
Cash outflow from investing activities	-3,578	-2,377
Cash inflow / outflow from financing activities	1,029	-424
Effect of exchange rate and changes in composition of group on cash and cash equivalents	1	682
Change in cash and cash equivalents	-82	354
Cash and cash equivalents at 1 January	1,336	1,621
Cash and cash equivalents at 31 March	1,254	1,975

Industrial operations		Financial operations		
2007	2006	2007	2006	
461	864	144	137	Net profit
1	2	1,076	903	Depreciation of leased products
856	722	5	3	Depreciation and amortisation of tangible, intangible and investment assets
124	14	-51	27	Change in provisions
53	98	1	-22	Change in deferred tax
-242	-479	38	204	Change in net current assets and other items
1,253	1,221	1,213	1,252	Cash inflow from operating activities
-869	-671	-4	-9	Investment in intangible assets and property, plant and equipment
-13	-37	-2,721	-1,743	Net investment in leased products and receivables from sales financing
28	-26	1	109	Other
-854	-734	-2,724	-1,643	Cash outflow from investing activities
-405	-734	1,434	310	Cash inflow/outflow from financing activities
3	474	-2	208	Effect of exchange rate and changes in composition of group on cash and cash equivalents
-3	227	-79	127	Change in cash and cash equivalents
1,235	1,372	101	249	Cash and cash equivalents at 1 January
1,232	1,599	22	376	Cash and cash equivalents at 31 March

BMW Group Statement of Changes in Equity

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

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	-	-	-	-	-	-	-	-253	-	-253
Withdrawal of shares										
from circulation	-20	-60	-679	-	-	-	-	759	-	-
Translation differences	-	-	-	-86	-	15	-9	-	-	-80
Financial instruments	-	-	-	-	-360	80	-	-	-	-280
Deferred tax on transactions recognised directly in equity	-	-	-	-	-	-49	-	-	-	-49
Net profit 31 March 2006	-	-	947	-	-	-	-	-	1	948
Other changes	-	-	-	-	-	-	-	-	-2	-2
31 March 2006	654	1,911	16,619	-732	202	75	-1,471	-	-1	17,257
31 December 2006	654	1,911	18,121	-837	214	178	-1,115	-	4	19,130
Acquisition of treasury shares	-	-	-	-	-	-	-	-34	-	-34
Withdrawal of shares										
from circulation	-	-	-	-	-	-	-	-	-	-
Translation differences	-	-	-	-60	-	7	2	-	-	-51
Financial instruments	-	-	-	-	-42	36	-	-	-	-6
Deferred tax on transactions recognised directly in equity	-	-	-	-	-	-5	-	-	-	-5
Net profit 31 March 2007	-	-	586	-	-	-	-	-	1	587
Other changes	-	-	-	-	-	-	-	-	-	-
31 March 2007	654	1,911	18,707	-897	172	216	-1,113	-34	5	19,621

See also Note [22]

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

in euro million	2007	2006
Fair value gains and losses on available-for-sale investments recognised directly in equity	-42	-360
Fair value gains and losses on financial instruments used for hedging purposes recognised directly in equity	43	95
Exchange differences arising on the translation of foreign subsidiaries	-60	-86
Actuarial gains and losses on defined benefit pension and similar obligations	2	-9
Deferred tax on gains and losses recognised directly in equity	-5	-49
Gains and losses recognised directly in equity	-62	-409
Profit after tax attributable to shareholders of BMW AG	586	947
Aggregate amount of net profit for period and gains and losses recognised directly in equity	524	538

BMW Group Notes to the Interim Group Financial Statements to 31 March 2007 Accounting Principles and Policies

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

[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 31 March 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 31 March 2007 have also been applied. The interim report also complies with German Accounting Standard No. 6 (GAS 6) – Interim Financial Reporting – issued by the German Accounting Standards Committee e.V. (GASC). The interim Group financial statements have neither been audited nor reviewed by the group auditors, KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft.

Further information about the Group's accounting principles and policies is contained in the BMW Group financial statements at 31 December 2006. The Group currency is the euro. All amounts are disclosed in millions of euros (euro million) unless stated otherwise.

In order to support the sale of its products, the BMW Group provides various financial services – mainly loan and lease financing – to retail customers and to dealers. The inclusion of the financial services activities of the Group therefore has an impact on the interim Group financial statements. In order to provide a better insight into the assets, liabilities, financial position and performance of the Group, additional information is presented in the BMW Group financial statements for Industrial operations and Financial operations. Financial operations include financial services and the activities of the Group financing companies. The operating interest income and expense of Financial operations are included in revenues and cost of sales respectively. The holding companies BMW (UK) Holdings Ltd., Bracknell, BMW Holding B.V., The Hague, BMW Österreich Holding GmbH,

Steyr, BMW (US) Holding Corp., Wilmington, Del., BMW España Finance S.L., Madrid, and BMW Holding Malaysia Sdn Bhd, Kuala Lumpur, are allocated to Industrial operations. The main business transactions between Industrial and Financial operations, which are eliminated in the Group financial statements, are internal sales of products, the provision of funds for Group companies and the related interest. These additional disclosures allow the assets, liabilities, financial position and performance of Industrial operations and Financial operations to be presented, in accordance with the recognition and measurement principles stipulated by IFRSs, as if they were two separate groups. This information is provided on a voluntary basis.

In conjunction with the refinancing of financial services business, a significant volume of receivables arising from retail customer and dealer financing is sold. Similarly, rights and obligations relating to leases are sold. The sale of receivables is a well established instrument used by industrial companies. These transactions are usually in the form of “asset backed financing” transactions involving the sale of a portfolio of receivables to a trust which, in turn, issues marketable securities to refinance the purchase price. The BMW Group continues to “service” the receivables and receives an appropriate fee for these services. In accordance with IAS 27 (Consolidated and Separate Financial Statements) and the interpretation contained in SIC-12 (Consolidation – Special Purpose Entities) such assets remain in the Group financial statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet on transfer of the related significant risks and rewards. The balance sheet value of the assets sold at 31 March 2007 totalled euro 4.1 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 first quarter 2007 include, besides BMW AG, 45 German and 152 foreign subsidiaries. This includes 17 special securities funds and 19 trusts, almost all of which are used for asset backed financing. 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, and BMW Financial Services New Zealand Ltd., Auckland, were consolidated for the first time in the first quarter 2007.

As a result of its merger into Alphabet Fleet Services España S.L., Madrid, BMW Renting Iberica S.L., Madrid, was no longer a consolidated company in the first quarter 2007.

Compared to the first quarter 2006, a total of ten German and foreign subsidiaries and two trusts

have been consolidated for the first time and two 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] New financial reporting rules

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

IFRS 7 (Financial Instruments: Disclosures) and an Amendment to IAS 1 (Presentation of Financial Statements: Capital Disclosures) are being applied for the first time in the BMW Group financial statements for the financial year 2007.

Application of IFRS 7 will result in additional disclosures relating to financial instruments.

In addition, the following Interpretations were applied for the first time:

- IFRIC 7 (Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies)

- IFRIC 8 (Scope of IFRS 2)
- IFRIC 9 (Reassessment of Embedded Derivatives)
- IFRIC 10 (Interim Financial Reporting and Impairment)

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

During the first quarter 2007, IASB issued a revised version of IAS 23 (Borrowing Costs), which is mandatory for financial periods commencing after 1 January 2009. This revised Standard will not have a significant impact on the BMW Group.

[4] Revenues

Revenues by activity comprise the following:

in euro million	1st quarter 2007	1st quarter 2006
Sales of products and related goods	9,162	9,064
Income from lease instalments	1,158	996
Sales of products previously leased to customers	874	858
Interest income on loan financing	545	449
Other income	212	251
Revenues	11,951	11,618

An analysis of revenues by business segment is shown in the segment information on page 31.

[5] Cost of sales

Cost of sales of euro 9,213 million (first quarter 2006: euro 9,047 million) include euro 2,432 million

(first quarter 2006: euro 2,189 million) relating to financial services business.

[6] Sales and administrative costs

Sales costs amounted to euro 1,001 million (first quarter 2006: euro 947 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative costs amounted to euro 220 million (first quarter 2006: euro 209 million). These comprise expenses for administration which are not attributable to development, production or sales functions.

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

[7] Research and development costs

Research and development costs of euro 637 million (first quarter 2006: euro 609 million) comprise all research costs and development costs not recognised

as assets as well as amortisation of capitalised development costs of euro 250 million (first quarter 2006: euro 178 million).

[8] Other operating income and expenses

Other operating income amounted to euro 143 million (first quarter 2006: euro 198 million). Other oper-

ating expenses amounting to euro 111 million (first quarter 2006: euro 115 million) were at the previous year's level.

[9] Result from equity accounted investments

The loss from equity method accounting of euro 7 million (first quarter 2006: profit of euro 1 million) in-

cludes the result of the joint venture, BMW Brilliance Automotive Ltd., Shenyang.

[10] Sundry other financial result

in euro million	1st quarter 2007	1st quarter 2006
Result on investments	–	4
Net interest expense	– 48	– 55
Sundry other financial result	– 5	457
Other financial result	– 53	406

The change in the line item “Sundry other financial result” related primarily to the gain on the settlement

of the Rolls-Royce exchangeable bond recognised in the first quarter 2006.

[11] Income taxes

Taxes on income comprise the following:

in euro million	1st quarter 2007	1st quarter 2006
Current tax expense	220	257
Deferred tax expense	45	91
Income taxes	265	348

[12] Earnings per share

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

		1st quarter 2007	1st quarter 2006
Profit attributable to the shareholders	euro million	586.2	947.2
Profit attributable to common stock	euro million (rounded)	539.8	871.6
Profit attributable to preferred stock	euro million (rounded)	46.4	75.6
Average number of common stock shares in circulation	number	601,995,196	603,858,331
Average number of preferred stock shares in circulation	number	51,446,162	52,196,162
Earnings per share of common stock	euro	0.90	1.44
Earnings per share of preferred stock	euro	0.90	1.44

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 outstanding shares.

In computing earnings per share of preferred stock, earnings to cover the additional dividend of

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

[13] Intangible assets

Intangible assets comprise capitalised development costs on vehicle and engine projects as well as subsidies for tool costs, licences, purchased development projects and software. Capitalised development costs at 31 March 2007 amounted to euro 4,843 mil-

lion (31 December 2006: euro 4,810 million). Capital expenditure for development costs amounted to euro 283 million (first quarter 2006: euro 271 million). Amortisation amounted to euro 250 million (first quarter 2006: euro 178 million).

[14] Property, plant and equipment

Capital expenditure for property, plant and equipment in the first three months of 2007 was euro 546 mil-

lion (first quarter 2006: euro 394 million). The depreciation expense for the same period amounted to euro 586 million (first quarter 2006: euro 528 million).

[15] Leased products

Additions to leased products and depreciation thereon amounted to euro 2,346 million (first quarter 2006: euro 2,104 million) and euro 513 million (first quarter 2006: euro 399 million) respectively. Disposals amounted to euro 1,078 million (first quarter

2006: euro 1,033 million). The translation of foreign currency financial statements resulted in a net translation loss of euro 102 million (first quarter 2006: euro 226 million). First-time consolidations gave rise to additions of euro 201 million.

[16] 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. The change was due primarily to the exercise of the exchange right of the exchangeable bond on shares in Rolls-Royce plc, London.

[17] Receivables from sales financing

Receivables from sales financing totalling euro 31,231 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 18,534 million (31 December 2006: euro 17,865 million) with a remaining term of more than one year.

[18] Financial assets

Financial assets comprise:

in euro million	31.3.2007	31.12.2006
Interest and currency derivatives	1,198	1,321
Marketable securities and investment funds	2,068	2,034
Loans to third parties	65	67
Other	560	528
Financial assets	3,891	3,950
thereof non-current	827	816
thereof current	3,064	3,134

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

[19] Income tax assets

Income tax assets can be analysed as follows:

31 March 2007 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	798	798
Current tax	129	128	257
Income tax assets	129	926	1,055

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

[20] Other assets

in euro million	31.3.2007	31.12.2006
Other taxes	584	584
Receivables from subsidiaries	374	693
Receivables from other companies in which an investment is held	172	202
Prepayments	693	683
Sundry other assets	597	488
Other assets	2,420	2,650
thereof non-current	456	378
thereof current	1,964	2,272

[21] Inventories

Inventories comprise the following:

in euro million	31.3.2007	31.12.2006
Raw materials and supplies	745	689
Work in progress, unbilled contracts	1,005	911
Finished goods	5,605	4,280
Goods for resale	877	914
Inventories	8,232	6,794

Inventories of finished goods increased as a result of making vehicles available to dealers (initial provi-

sioning) in conjunction with the introduction of new models.

[22] Equity

The Group Statement of Changes in Equity is shown on page 22.

Number of shares issued

At 31 March 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.

During the first quarter 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.

At the Annual General Meeting on 16 May 2006, the shareholders authorised the Board of Management to acquire treasury shares via the stock exchange, up to a maximum of 10% of the share capital in place at the date of the resolution and to withdraw these shares from circulation without any further resolution by the Annual General Meeting. At the same time, the authorisation from 12 May 2005 to acquire treasury shares was rescinded. The authorisation from 16 May 2006 is valid until 15 November 2007.

Equity attributable to shareholders

Equity attributable to shareholders of BMW AG at 31 March 2007 amounted to euro 19,616 million (31 December 2006: euro 19,126 million).

Equity attributable to minority interests amounted to euro 5 million (31 December 2006: euro 4 million). This includes a minority interest of euro 1 million in subsidiaries' results for the period (31 December 2006: euro 6 million).

[23] Other provisions

Other provisions, at euro 5,587 million (31 December 2006: euro 5,536 million) include primarily personnel-related obligations and obligations for on-going operational expenses.

Current provisions at 31 March 2007 amounted to euro 2,768 million (31 December 2006: euro 2,671 million).

[24] Income tax liabilities

31 March 2007 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,832	2,832
Current tax	275	362	637
Income tax liabilities	275	3,194	3,469

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 637 million (31 December 2006: euro 567 million) comprises euro 113 million (31 December 2006: euro 88 million) for taxes

payable and euro 524 million (31 December 2006: euro 479 million) for tax provisions.

BMW Group Notes to the Interim Group Financial Statements to 31 March 2007 Other disclosures

02	BMW Group – an Overview
06	Automobiles
09	Motorcycles
10	Financial Services
12	BMW Stock
13	Financial Analysis
17	Group Financial Statements
24	Notes
32	Financial Calendar

[25] Financial liabilities

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

in euro million	31.3.2007	31.12.2006
Bonds	17,575	16,420
Liabilities to banks	4,164	4,288
Liabilities from customer deposits (banking)	5,663	5,781
Commercial paper	4,697	4,154
Asset backed financing transactions	4,147	4,501
Interest and currency derivatives	525	596
Other	762	716
Financial liabilities	37,533	36,456
thereof non-current	20,245	18,800
thereof current	17,288	17,656

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

[26] Other liabilities

Other liabilities comprise the following items:

in euro million	31.3.2007	31.12.2006
Other taxes	614	553
Social security	39	41
Advance payments from customers	438	278
Deposits received	144	143
Liabilities to subsidiaries	62	40
Deferred income	2,760	2,577
Sundry other liabilities	2,143	2,224
Other liabilities	6,200	5,856
thereof non-current	2,059	1,932
thereof current	4,141	3,924

[27] Related party relationships

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

In addition, the disclosure requirements of IAS 24 also cover transactions with associates and with parties which have the ability to exercise significant influence over the financial and operating policies of

the BMW Group. This also includes close relatives and intermediaries. Significant influence over the financial and operating policies of the Group can arise when a party holds 20% or more of the shares of BMW AG or is a member of the Board of Management or Supervisory Board of BMW AG.

For the first quarter 2007, the disclosure requirements contained in IAS 24 only affect the BMW Group with regard to business relationships with affiliated, non-consolidated entities 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 first 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 first 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.

[28] 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 first quarter 2007 is as follows:

Segment information by business segment in euro million	Automobiles		Motorcycles		Financial Services		Reconciliations		Group		
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	
Revenues with third parties	8,861	8,855	364	310	2,679	2,410	47	43	11,951	11,618	
Inter-segment revenues	2,557	2,376	3	3	404	328	-2,964	-2,707	-	-	
Total revenues	11,418	11,231	367	313	3,083	2,738	-2,917	-2,664	11,951	11,618	
Profit before financial result	661	715	36	30	188	176	27	-32	912	889	
Result from equity accounted investments	-7	1	-	-	-	-	-	-	-7	1	
Other net financial result	-45	45	-2	-1	-5	-3	-1	365	-53	406	
Profit before tax	609	761	34	29	183	173	26	333	852	1,296	
Return on sales	%	5.3	6.8	9.3	9.3	5.9	6.3	-	-	7.1	11.2

Q1

Financial calendar

Annual General Meeting	15 May 2007
Interim Report to 30 June 2007	1 August 2007
Interim Report to 30 September 2007	6 November 2007

Contacts

Business Press		Investor Relations	
Telephone	+49 89 382-2 33 62	Telephone	+49 89 382-2 42 72
	+49 89 382-2 41 18		+49 89 382-2 53 87
Fax	+49 89 382-2 44 18	Fax	+49 89 382-2 44 18
E-mail	presse@bmwgroup.com	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.