

# QUARTERLY REPORT

TO 31 MARCH 2012



**Q1** — 31 March 2012

**Q3** — 30 September 2012

**Q2** — 30 June 2012

## BMW GROUP IN FIGURES

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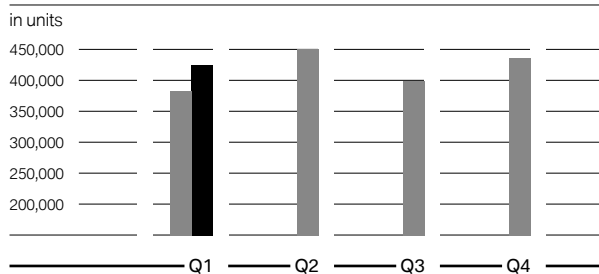
		1st quarter 2012	1st quarter 2011	Change in %
<b>Sales volume – Automobiles</b>				
BMW	units	356,548	321,175	11.0
MINI	units	68,210	60,860	12.1
Rolls-Royce	units	770	723	6.5
<b>Total</b>		<b>425,528</b>	<b>382,758</b>	<b>11.2</b>
<b>Sales volume – Motorcycles</b>				
BMW	units	24,373	23,109	5.5
Husqvarna	units	2,642	1,940	36.2
<b>Total</b>		<b>27,015</b>	<b>25,049</b>	<b>7.8</b>
<b>Production – Automobiles</b>				
BMW	units	378,024	352,869	7.1
MINI	units	82,129	76,684	7.1
Rolls-Royce	units	747	922	-19.0
<b>Total</b>		<b>460,900</b>	<b>430,475</b>	<b>7.1</b>
<b>Production – Motorcycles</b>				
BMW	units	34,364	32,484	5.8
Husqvarna	units	3,361	3,117	7.8
<b>Total</b>		<b>37,725</b>	<b>35,601</b>	<b>6.0</b>
<b>Workforce at end of quarter</b>				
BMW Group		101,260	96,045	5.4
<b>Financial figures</b>				
<b>Operating cash flow Automotive segment</b>	€ million	<b>2,293</b>	<b>2,076<sup>1</sup></b>	<b>10.5</b>
<b>Revenues</b>	€ million	<b>18,293</b>	<b>16,037</b>	<b>14.1</b>
— Automotive	€ million	16,159	14,373	12.4
— Motorcycles	€ million	448	397	12.8
— Financial Services	€ million	4,800	4,183	14.8
— Other Entities	€ million	1	1	-
— Eliminations	€ million	-3,115	-2,917	-6.8
<b>Profit before financial result (EBIT)</b>	€ million	<b>2,132</b>	<b>1,795<sup>2</sup></b>	<b>18.8</b>
— Automotive	€ million	1,878	1,708	10.0
— Motorcycles	€ million	37	31	19.4
— Financial Services	€ million	426	403	5.7
— Other Entities	€ million	13	17	-23.5
— Eliminations	€ million	-222	-364 <sup>2</sup>	39.0
<b>Profit before tax</b>	€ million	<b>2,076</b>	<b>1,705<sup>2</sup></b>	<b>21.8</b>
— Automotive	€ million	1,820	1,605	13.4
— Motorcycles	€ million	37	30	23.3
— Financial Services	€ million	434	429	1.2
— Other Entities	€ million	-21	-24	12.5
— Eliminations	€ million	-194	-335 <sup>2</sup>	42.1
<b>Income taxes</b>	€ million	<b>-727</b>	<b>-563<sup>2</sup></b>	<b>-29.1</b>
<b>Net profit</b>	€ million	<b>1,349</b>	<b>1,142<sup>2</sup></b>	<b>18.1</b>
<b>Earnings per share<sup>3</sup></b>	€	<b>2.05/2.05</b>	<b>1.73/1.73<sup>2</sup></b>	<b>18.5/18.5</b>

<sup>1</sup> Adjusted for reclassifications as described in note 3

<sup>2</sup> Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8

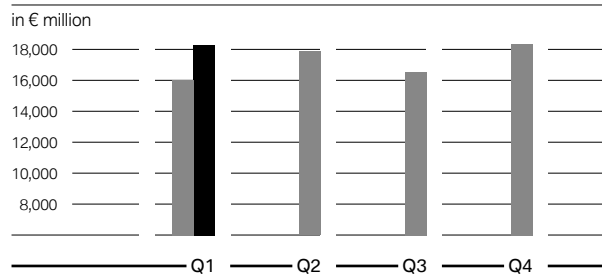
<sup>3</sup> In accordance with IAS 33 for common/preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

### Sales volume of automobiles



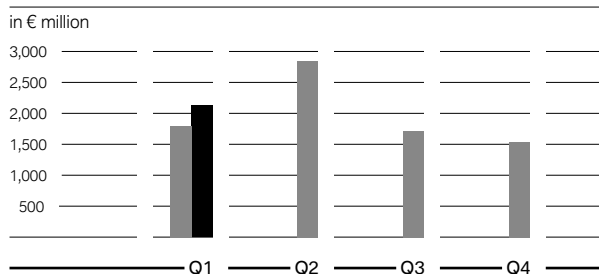
2011	382,758	450,608	399,218	436,398
<b>2012</b>	<b>425,528</b>			

### Revenues



2011	16,037	17,888	16,547	18,349
<b>2012</b>	<b>18,293</b>			

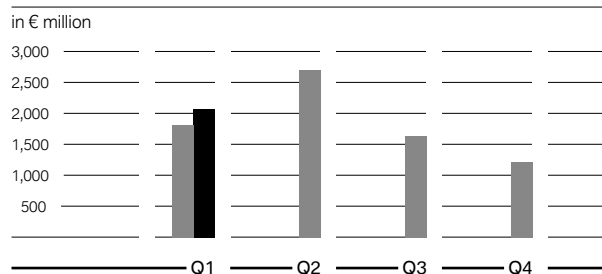
### Profit before financial result



2011	1,795*	2,856	1,716	1,544
<b>2012</b>	<b>2,132</b>			

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8

### Profit before tax



2011	1,705*	2,704	1,644	1,223
<b>2012</b>	<b>2,076</b>			

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8

## INTERIM GROUP MANAGEMENT REPORT

### The BMW Group – an Overview

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#### Record figures for opening quarter 2012

The BMW Group has started the year with the best first quarter in the company's history. Record levels were achieved for sales volume, revenues and earnings during the first three months of the year. Once again the principal factors for this success, which enabled the BMW Group to strengthen its position as the world's leading manufacturer of premium vehicles, were an attractive and fresh range of models as well as evenly-spread growth around the globe.

#### Sales volume records for BMW, MINI and Rolls-Royce brands

The total number of BMW, MINI and Rolls-Royce brand vehicles sold in the first quarter 2012 climbed to a new record of 425,528 units (+11.2%). More vehicles were sold in March than in any single previous month. All three of the BMW Group's automobile brands reported new record sales volume levels for the quarter. Sales of BMW brand vehicles rose by 11.0% to 356,548 units (2011: 321,175 units). MINI recorded a 12.1% increase in sales volume with 68,210 units sold during the quarter (2011: 60,860 units). Rolls-Royce Motor Cars also continued to perform well and achieved its best first quarter in the brand's history with 770 units (2011: 723 units; +6.5%) handed over to customers during the quarter.

The Motorcycles segment was also able to improve on its previous year's first-quarter performance by 7.8% by selling 27,015 units (2011: 25,049 units). This included 24,373 BMW motorcycles, which represented a new first-quarter sales volume record for the brand (2011: 23,109 units; +5.5%).

The Financial Services segment continued to make positive progress during the period under report. At 31 March 2012 the segment was managing a portfolio of 3,646,111 lease and financing contracts with retail customers and dealers worldwide; this corresponds to an increase of 12.8%.

#### Revenues and earnings flourish

Driven by strong growth in sales volumes, we also achieved new first-quarter records for revenues and earnings. Group revenues for the three-month period from January to March 2012 rose by 14.1% to €18,293 million (2011: €16,037 million). The Group reports a profit before financial result (EBIT) of €2,132 million (2011: €1,795\* million; +18.8%). Over the same period, the Group's pre-tax profit improved by €371 million to €2,076 million (2011: €1,705\* million; +21.8%).

#### Workforce increased

The BMW Group had a worldwide workforce of 101,260 employees at 31 March 2012, 5.4% more than one year earlier. The increase was partly attributable to the acquisition of the ING Car Lease Group (ICL Group) in September 2011. In addition, skilled workers and engineers continue to be recruited in order to keep pace with persistently strong demand for BMW Group vehicles and to focus on the development of new technologies.

#### New BMW 3 Series Sedan launched worldwide

The new BMW 3 Series Sedan has been available on the markets worldwide since February 2012. Now in the sixth generation, the latest model is also setting standards in its class and has been acclaimed internationally by customers and the media alike. The BMW 6 Series Gran Coupé, the first four-door Coupé in the brand's history, will appear in June, and the revised version of the BMW 7 Series will become available from July onwards. The MINI Roadster was added as the sixth member of the MINI family at the beginning of March 2012. The Rolls-Royce Phantom Series II was presented at the Geneva Motor Show at the beginning of March and will be launched on the markets during the second half of the year.

Models available to customers since the start of the motorcycle season at the end of March include the G 650 GS Sertao, the revised models of the S 1000 RR and the F 800 R, the special R 1200 GS Rallye model and two special models from the K 1300 R Series. Over the course of the year, the first high-capacity scooters, the C 650 GT and the C 600 SPORT, will be added to the model range.

#### Cooperation Agreement with Toyota signed

At the end of March 2012 the BMW Group and Toyota Motor Corporation signed a Cooperation Agreement to carry out joint research activities to investigate the next generation of lithium-ion battery technology. The goal of the research project is to increase the performance of lithium-ion battery cells.

In addition to these joint research activities, the BMW Group and Toyota Motor Europe (TME), the European subsidiary of Toyota Motor Corporation, had already reached an agreement in December 2011 for the BMW Group to supply fuel-efficient diesel engines to TME from 2014 onwards.

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8

## INTERIM GROUP MANAGEMENT REPORT

### General Economic Environment

#### **Automobile markets performing inconsistently**

Automobile markets were generally in a good state of health during the first quarter 2012. The global market grew by approximately 8% compared to the same quarter last year. The premium segment performed even better, growing by 9% over the same period.

Within that generally positive picture, Europe's automobile markets overall were well down on the previous year, mainly reflecting the negative impact of the sovereign debt crisis. While the market as a whole contracted by 8%, the premium segment was at least able to match the previous year's level. By contrast, the German market continued to remain stable. Partly as a result of higher domestic demand, the automobile market as a whole edged up by 1% while the premium segment grew by approximately 4%. Of the other major automobile markets in Europe, only Great Britain was able to generate growth in the first quarter 2012 (+1%). The Spanish market was approximately 2% down on the first quarter 2011, contracting once again after the previous year's slump. Italy and France registered decreases in excess of 20%.

Good employment figures helped to keep economic recovery going in the USA in the first quarter 2012 and enabled the market to grow by around 13% in total. The premium segment was around 6% up on the previous year.

After the natural catastrophe in the previous year, growth rates in Japan were very high during the first quarter 2012. The main factor here was the backlog in demand which had been caused by production interruptions across Japanese industry. The overall market therefore grew by some 48% compared to the same quarter last year and the premium segment by about 32%.

The Chinese market increased slightly compared to the first quarter 2011. The premium segment performed also well over the same period. While the Russian market presented itself in good health, with first-quarter growth for the total market (+19%) and for the premium segment (+38%), the markets in Brazil and Turkey were lower than in the previous year. The automobile market in India grew by 10%.

#### **Motorcycles markets get inconsistent start in 2012**

The international motorcycle markets in the 500 cc plus class showed some signs of recovery during the first quarter 2012. The market increased worldwide by 4.0%.

In Europe, it was the southern-most countries which performed particularly weakly (-6.6%). The 500 cc plus class market in Germany grew by 5.9% compared to the previous year. Extremely severe decreases were recorded for Italy (-25.2%) and Spain (-30.2%). The decreases in Great Britain (-3.4%) and France (-2.7%) were not so pronounced. In contrast, the US motorcycles market in the 500 cc plus class gathered strength during the first quarter of 2012 and recorded growth of 12.9%. The Brazilian market was also stronger than in the previous year (+46.9%). The Japanese market showed good signs of recovery in the first quarter 2012 and grew by 9.6%.

#### **Financial Services market**

Central banks continued to pursue their expansive monetary policies at the beginning of 2012. The European Central Bank (ECB) ensured the supply of liquidity on favourable conditions for Europe's financial markets. With the European rescue package also being expanded and many countries – particularly those in southern Europe – implementing austerity programmes, the situation on international capital markets eased. Financial services providers profited from the reduction in risk spreads and the ensuing lower refinancing costs.

Lending business risk levels have continued to fall during the first quarter 2012. By contrast, the situation on southern European markets remained tense due to ongoing uncertainty about the economic prospects for this region. Used car markets also remained stable during the first quarter. In some southern European countries, however, business with used cars remains weak.

## INTERIM GROUP MANAGEMENT REPORT

### Automotive

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#### Vehicle sales volume reaches record level

The BMW Group registered the most successful first quarter in its corporate history during the period from January to March 2012. The year began with new high levels for all three brands. 425,528 BMW, MINI and Rolls-Royce brand vehicles were handed over to customers worldwide (+11.2%), of which BMW accounted for 356,548 units (+11.0%), MINI for 68,210 units (+12.1%) and Rolls-Royce Motor Cars for 770 units (+6.5%).

#### Strong growth particularly in Asia

First-quarter sales in Europe, at 201,063 units, were marginally up on the previous year's already high level (+0.5%), albeit with varying performances on the individual markets. Southern Europe in particular was dominated to a great extent by the debt crisis. Sales volume in Germany fell slightly by 1.6% to 63,024 units. In Great Britain we almost reached the previous year's level with first-quarter sales volume of 38,968 units (–0.7%). Fewer vehicles were sold in Italy (16,873 units; –11.2%) and Spain (10,370 units; –3.3%). In France we were able to increase sales volume by 0.9% to 16,577 units.

North America made a positive contribution to the BMW Group's good first-quarter performance with sales up by 16.7% to 83,177 units. During the period we sold 75,931 vehicles in the USA – an increase of 16.5%.

Our sales performance in Asia was again particularly strong. The BMW Group handed over 118,880 vehicles to customers in this region, almost one third more than in the first quarter of the previous year (+31.9%). China in particular played a major part in this performance,

with 80,218 units sold (+36.6%). First-quarter sales volumes also picked up rapidly in Japan, climbing by 44.4% to 13,994 units.

#### Renewed double-digit growth for BMW

Sales of the BMW 1 Series during the period from January to March 2012 rose by 20.2% to 54,160 units. This strong performance was helped in particular by sales of 41,626 units (+43.1%) of the new five-door version of the 1 Series. The BMW 3 Series also performed well, with the market launch of the new Sedan in February (+13.6%) already having a positive impact. In total, 91,189 units of the BMW 3 Series were handed over to customers during the quarter under report (+3.9%). The BMW 5 Series remained market leader in its segment with 82,231 units (–3.7%) sold worldwide. First-quarter sales of the new generation of the BMW 6 Series picked up significantly, rising more than fivefold to 4,651 units (2011: 789 units). The BMW 7 Series also continued to enjoy strong demand and 17,786 units (+20.0%) were handed over to customers during the quarter under report. Sales of the BMW Z4, at 4,140 units, were 8.3% lower than in the previous year.

The various models of the BMW X family continue to perform extremely well. Sales of the X1 went up by 8.4% to 29,532 units. The BMW X3 recorded particularly strong sales volume growth with 35,248 units being sold during the period (+55.3%). Thanks to sales of 26,563 units, the BMW X5 remained worldwide market leader in its segment (+14.7%). 11,048 units of the BMW X6 were handed over to customers, 13.7% more than in the corresponding quarter last year.

#### Automotive

		1st quarter 2012	1st quarter 2011	Change in %
Sales volume	units	425,528	382,758	11.2
Production	units	460,900	430,475	7.1
Revenues	€ million	16,159	14,373	12.4
Profit before financial result (EBIT)	€ million	1,878	1,708	10.0
Profit before tax	€ million	1,820	1,605	13.4
Workforce at end of quarter		92,252	88,904	3.8

## Sales volume of BMW vehicles by model variant

in units

	1st quarter 2012	1st quarter 2011	Change in %
<b>BMW 1 Series</b>			
Three-door	2,400	5,636	-57.4
Five-door	41,626	29,096	43.1
Coupé	5,717	5,544	3.1
Convertible	4,417	4,799	-8.0
	<b>54,160</b>	<b>45,075</b>	<b>20.2</b>
<b>BMW 3 Series</b>			
Sedan	63,077	55,505	13.6
Touring	14,603	15,314	-4.6
Coupé	7,302	9,618	-24.1
Convertible	6,207	7,325	-15.3
	<b>91,189</b>	<b>87,762</b>	<b>3.9</b>
<b>BMW 5 Series</b>			
Sedan	61,345	64,638	-5.1
Touring	14,321	14,514	-1.3
Gran Turismo	6,565	6,271	4.7
	<b>82,231</b>	<b>85,423</b>	<b>-3.7</b>
<b>BMW 6 Series</b>			
Coupé	2,384	319	-
Convertible	2,267	470	-
	<b>4,651</b>	<b>789</b>	<b>-</b>
<b>BMW 7 Series</b>			
	<b>17,786</b>	<b>14,817</b>	<b>20.0</b>
<b>BMW X1</b>			
	<b>29,532</b>	<b>27,238</b>	<b>8.4</b>
<b>BMW X3</b>			
	<b>35,248</b>	<b>22,693</b>	<b>55.3</b>
<b>BMW X5</b>			
	<b>26,563</b>	<b>23,149</b>	<b>14.7</b>
<b>BMW X6</b>			
	<b>11,048</b>	<b>9,715</b>	<b>13.7</b>
<b>BMW Z4</b>			
	<b>4,140</b>	<b>4,514</b>	<b>-8.3</b>
<b>BMW total</b>	<b>356,548</b>	<b>321,175</b>	<b>11.0</b>

**MINI sales well up on previous year**

The MINI brand also benefitted from the introduction of new models. The Coupé, for instance, achieved a first-quarter sales volume of 3,029 units, while the Roadster – which was only launched in March 2012 – had already gained 980 customers by the end of the quarter. Sales of

the MINI Countryman jumped by 36.8% to 22,001 units. The other models of the MINI family were down on the previous year (MINI Hatch: 30,692 units; -5.3%, MINI Convertible: 5,969 units; -7.7%, MINI Clubman: 5,539 units; -6.3%).

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The MINI brand continued to generate an extremely high-value product mix; 44.3% of customers opted for

the MINI Cooper, 36.1% for the MINI Cooper S and 19.6% for the MINI One.

### Sales volume of MINI vehicles by model variant

in units

	1st quarter 2012	1st quarter 2011	Change in %
<b>MINI</b>			
One	8,911	9,061	-1.7
Cooper	14,324	16,053	-10.8
Cooper S	7,457	7,292	2.3
	<b>30,692</b>	<b>32,406</b>	<b>-5.3</b>
<b>MINI Convertible</b>			
One	978	1,154	-15.3
Cooper	2,783	3,242	-14.2
Cooper S	2,208	2,068	6.8
	<b>5,969</b>	<b>6,464</b>	<b>-7.7</b>
<b>MINI Clubman</b>			
One	892	876	1.8
Cooper	2,885	3,506	-17.7
Cooper S	1,762	1,530	15.2
	<b>5,539</b>	<b>5,912</b>	<b>-6.3</b>
<b>MINI Countryman</b>			
One	2,630	1,297	-
Cooper	8,943	7,364	21.4
Cooper S	10,428	7,417	40.6
	<b>22,001</b>	<b>16,078</b>	<b>36.8</b>
<b>MINI Coupé</b>			
Cooper	1,031	-	-
Cooper S	1,998	-	-
	<b>3,029</b>	<b>-</b>	<b>-</b>
<b>MINI Roadster</b>			
Cooper	229	-	-
Cooper S	751	-	-
	<b>980</b>	<b>-</b>	<b>-</b>
<b>MINI total</b>	<b>68,210</b>	<b>60,860</b>	<b>12.1</b>

### First-quarter sales volume increase for Rolls-Royce

The Rolls-Royce Phantom was handed over to 113 customers during the quarter under report (+6.6%). The Phantom Series II will become available from the beginning of the second half of the year. First-quarter sales of

the Phantom Coupé (including the Drophead Coupé) totalled 41 units (-19.6%). Demand for the Rolls-Royce Ghost remained strong throughout the three-month period, with sales up by 8.8% to 616 units.



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**Sales volume of Rolls-Royce vehicles by model variant**


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in units

	1st quarter 2012	1st quarter 2011	Change in %
<b>Rolls-Royce</b>			
Phantom (including Phantom Extended Wheelbase)	113	106	6.6
Coupé (including Drophead Coupé)	41	51	-19.6
Ghost	616	566	8.8
<b>Rolls-Royce total</b>	<b><u>770</u></b>	<b><u>723</u></b>	<b><u>6.5</u></b>

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**Vehicle production volume increased**

A total of 460,900 BMW, MINI and Rolls-Royce brand vehicles (+7.1 %) were manufactured by the worldwide production network of the BMW Group during the first three months of 2012, comprising 378,024 BMW brand vehicles (+7.1 %), 82,129 MINI brand vehicles (+7.1 %) and 747 Rolls-Royce brand vehicles (-19.0 %).

**Automotive segment revenues and earnings increased**

Strong demand for BMW Group vehicles had a positive impact on revenues and earnings in the Automotive segment. First-quarter revenues rose by 12.4 % to €16,159 million. Segment EBIT totalled €1,878 million (+10.0 %) and profit before tax €1,820 million (+13.4 %).

**Automotive segment workforce up compared to previous year**

The BMW Group had a worldwide workforce of 92,252 employees in its Automotive segment at 31 March 2012, 3.8 % more than one year earlier.

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### Motorcycles

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#### Motorcycles sales up on previous year

Against a background of generally unfavourable market conditions, the number of BMW and Husqvarna brand motorcycles sold worldwide in the first-quarter rose to 27,015 units (+7.8%). This figure included 24,373 BMW motorcycles (+5.5%) and was the best first-quarter performance the BMW brand has recorded in almost 90 years of motorcycle history. Husqvarna achieved a 36.2% increase with a first-quarter sales volume of 2,642 units.

Sales in Europe were at a similar level to the previous year with 17,272 units sold during the quarter (+0.1%). The number of motorcycles sold in Germany rose by 9.5% to 4,813 units. A particularly sharp increase (+40.0%) was recorded in France, where we sold 2,679 motorcycles. Sales in Great Britain edged up by 1.5% to 1,521 units. By contrast, decreases were recorded for Spain (1,233 units; -14.3%) and Italy (3,437 units; -22.5%). Favourable market conditions in the USA enabled us to achieve a 47.9% increase in motorcycle sales with 3,429 units sold during the quarter under report. In a similar vein, motorcycle sales in Brazil almost doubled to 1,467 units (+91.3%). The story was similar in Japan, where sales volume rose by 53.3% to 679 units.

#### Motorcycle production increased

In total, 37,725 BMW and Husqvarna brand motorcycles were manufactured during the first quarter 2012 (+6.0%), comprising 34,364 BMW motorcycles (+5.8%) manufactured in Berlin and 3,361 Husqvarna motorcycles manufactured at the Italian plant in Cassinetta di Biandronno (+7.8%).

#### Motorcycle segment revenues and earnings improved

First-quarter segment revenue rose by 12.8% to €448 million on the back of increased sales volume. Segment EBIT climbed to €37 million (+19.4%) and profit before tax increased to €37 million (+23.3%).

#### Workforce up slightly compared to previous year

At 31 March 2012 the Motorcycles segment's workforce totalled 2,957 employees, an increase of 3.5%.

#### Motorcycles

		1st quarter 2012	1st quarter 2011	Change in %
Sales volume	units	27,015	25,049	7.8
Production	units	37,725	35,601	6.0
Revenues	€ million	448	397	12.8
Profit before financial result (EBIT)	€ million	37	31	19.4
Profit before tax	€ million	37	30	23.3
Workforce at end of quarter		2,957	2,857	3.5

## INTERIM GROUP MANAGEMENT REPORT

### Financial Services

#### Successful first quarter 2012

The Financial Services segment continued to perform well during the first quarter 2012. In total, 3,646,111 lease and financing contracts were in place with dealers and retail customers at 31 March 2012, 12.8 % more than one year earlier (2011: 3,233,567). This figure includes 260,038 contracts of the ICL Group, which was acquired in the third quarter 2011. The business volume in balance sheet terms stood at €74,720 million and was thus similar to the previous year's level (-0.7%).

#### New business growing strongly

The Financial Services segment concluded 305,984 new financing and lease contracts with retail customers during the first quarter (+10.5%); 22,367 of these are attributed to the ICL Group. Credit financing edged up by 4.3%, while the number of lease contracts shot up by 24.9%. Credit financing and lease contracts accounted for 65.7% and 34.3% respectively of new business. The ratio of new BMW Group vehicles leased or financed by the Financial Services segment during the quarter was 38.2%, marginally down on the previous year's first-quarter ratio of 40.0%.

In the used vehicles financing line of business, 72,143 new contracts for BMW and MINI brand cars were signed

during the first quarter, 10.0% fewer than in the previous year.

The volume of financing and lease contracts signed with retail customers during the period under report totalled €8,274 million, an increase of 12.2% over the same quarter in the previous year.

Thanks to this strong first-quarter performance, the overall size of the contract portfolio with retail customers rose by 13.4% to 3,365,056 units, including 260,038 attributable to the ICL Group. Growth was reported in all regions as follows: Europe/Middle East up by 43.0%, Asia/Pacific 14.7%, EU Bank 3.3% and the Americas 3.8%. The growth of the Europe/Middle East region was partly attributable to the acquisition of the ICL Group.

#### Fleet business activities reach new dimensions

The BMW Group operates its international multi-brand fleet business under the brand name "Alphabet". Compared to one year earlier, the portfolio of fleet contracts has more than doubled to 480,348 (+134.4%), primarily as a result of the acquisition of the ICL Group in September 2011 which brought with it a total of 260,038 fleet contracts. Thanks to past organic growth and the acquisition, the BMW Group is now one of Europe's leading fleet service providers.

### Financial Services

	1st quarter 2012	1st quarter 2011	Change in %
New contracts with retail customers	305,984	276,856	10.5
Revenues	€ million 4,800	4,183	14.8
Profit before financial result (EBIT)	€ million 426	403	5.7
Profit before tax	€ million 434	429	1.2
Workforce at end of quarter	5,929	4,167	42.3

	31.3.2012	31.12.2011	Change in %
Business volume in balance sheet terms*	€ million 74,720	75,245	-0.7

\* calculated on the basis of the Financial Services segment balance sheet

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### **Multiple-brand financing on growth course**

Multi-brand financing also expanded during the period under report, with new business rising by 12.5% to 37,691 units. The contract portfolio as a whole grew by 9.2% to 384,834 units.

### **Increase in dealer financing**

At the end of the first quarter 2012, the total volume of dealer financing contracts amounted to €11,317 million, 11.5% up on one year earlier.

### **Sharp rise in deposit business**

Customer deposit business represents an important element of the BMW Group's refinancing strategy. The Financial Services segment's deposit volume increased by 20.0% (compared to 31 March 2011) to €13,153 million due to the attractive conditions offered. The number of securities custodian accounts under management increased by 3.9% to 24,042.

### **Strong growth in insurance business**

The Financial Services segment recorded further strong growth in its insurance line of business, with 217,432 new contracts signed during the quarter (+14.7%). At 31 March 2012 the segment was managing a portfolio of 2,053,170 insurance contracts (+26.9%), 222,260 of which were attributable to the ICL Group.

### **Improved first-quarter earnings**

First-quarter segment EBIT improved by 5.7% to €426 million (2011: €403 million), while the pre-tax profit increased to €434 million (+1.2%).

### **Sharp rise in workforce**

At 31 March 2012, the segment's workforce comprised 5,929 employees, 42.3% more than one year earlier. The increase is mostly due to the acquisition of the ICL Group (1,292 employees).

## INTERIM GROUP MANAGEMENT REPORT

BMW Group – Capital Market Activities in the first quarter 2012

### BMW stock in the first quarter 2012

European stock markets got off to a good start in 2012. Liquidity injections from the European Central Bank, good economic data from the USA as well as agreement on the second rescue package for Greece all had a favourable effect on the stock market climate.

The German stock index, the DAX, even briefly surpassed the 7,000 point threshold again and closed on the last trading day of the reporting period at 6,947 points. Compared to the end of 2011, the DAX gained 17.8% during the quarter. The Prime Automobile Performance Index did even better, finishing the first quarter at 880 points, which is 28.0% higher than at the year-end.

BMW stock also performed exceedingly well during the first quarter 2012. BMW common stock closed at €67.43 at 31 March 2012, 30.3% up on its closing price at the end of 2011. Before that, on 16 March, the price had reached a new all-time high of €73.95. Shares of BMW preferred stock rose by 21.8% to €44.54 during the first quarter. This class of shares achieved also a new all-time high of €47.80 on 15 March.

The US dollar lost slightly in value against the euro during the period under report, finishing the quarter at US dollar 1.33 to the euro. Compared to the exchange rate at the end of 2011, this represented a loss of 3.0%

for the US dollar (31 December 2011: US dollar 1.29 to the euro).

### BMW's rating upgraded

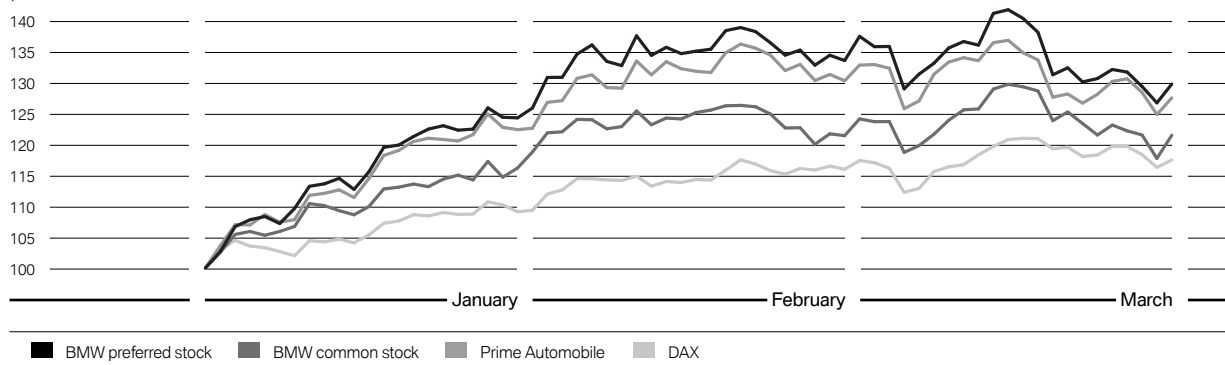
In April 2012 the rating agency Standard & Poor's raised BMW AG long-term rating from A- (positive outlook) to A (stable outlook). At the same time, the short-term rating was also raised by one level from A-2 to A-1. The main reasons for the upgrade are strong demand for premium vehicles, the sharp rise in Group profitability and the successful implementation of Strategy Number ONE. The BMW Group therefore has the best ratings of all European car manufacturers.

### Stable capital markets used for refinancing

International money and capital markets remained stable during the first quarter 2012 despite ongoing risks. This situation enabled the BMW Group to refinance its operations around the world on attractive conditions. During the first quarter, for instance, we issued two euro benchmark bonds for a total of €2.5 billion and corporate bonds for 750 million British pounds, 450 million Canadian dollars and various public bonds and private placements in different currencies with a total volume equivalent to €840 million. Commercial paper continues to be a fixed component of the range of funding tools employed by the BMW Group and was issued again during the quarter under report on attractive conditions.

### Development of BMW stock compared to stock exchange indices

(Index: 30.12.2011 = 100)



## INTERIM GROUP MANAGEMENT REPORT

### Analysis of the Interim Group Financial Statements

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#### Earnings performance\*

Despite increasing uncertainties about the economic state of the European markets, the earnings performance of the BMW Group continued to develop positively during the first quarter 2012, driven primarily by a high-value model sales mix for all of the Group's brands and a strong competitive position on international markets.

First-quarter Group revenues rose by 14.1 % to €18,293 million. Adjusted for changes in exchange rates, revenues would have increased by 11.0 %. Within Group revenues, external revenues of the Automotive and Motorcycles segments were 13.0 % and 12.5 % above those of the first quarter 2011, in each case reflecting increased sales volumes. External revenues of the Financial Services segment climbed by 17.6 %.

Group cost of sales increased by 13.2 % to €14,529 million, rising therefore at a slower rate than revenues. First-quarter gross profit increased as a result by 17.4 % to €3,764 million, giving a gross profit margin of 20.6 % (2011: 20.0 %).

The gross profit margin recorded by the Automotive segment fell by 0.2 percentage points to 20.2 %; the Motorcycles segment recorded a gross profit margin of 17.9 % (2011: 18.6 %). In the Financial Services segment, it fell from 13.6 % to 13.3 %.

First-quarter research and development expense increased by 19.6 % to €972 million and represented 5.3 % (2011: 5.1 %) of revenues. Research and development expense includes amortisation of capitalised development costs amounting to €301 million (2011: €299 million). Total research and development expenditure in the first three months of the year amounted to €862 million (2011: €664 million). This figure comprises research costs, non-capitalised development costs, capitalised development costs and systematic amortisation of capitalised development costs. The research and development expenditure ratio was 4.7 % (2011: 4.1 %). The proportion of development expenditure recognised as assets in the quarter under report was 22.2 % (2011: 22.6 %).

Selling and administrative expenses increased by 17.7 % compared to the same period last year.

Depreciation and amortisation on property, plant and equipment and intangible assets, and included in cost of sales and selling and administrative expenses, decreased by 1.8 % to €872 million (2011: €888 million).

The net result from other operating income and other operating expenses turned round from a net expense of €21 million to a net income of €4 million.

As a result of the strong operating performance described above, the profit before financial result improved by €337 million to €2,132 million.

The financial result was a net expense of €56 million, which represented an improvement of €34 million compared to the first three months of the previous year (2011: net expense of €90 million). Within the financial result, net interest expense increased by €47 million. Other financial result improved by €69 million to a net expense of €47 million, mainly as a result of the positive impact of stand-alone commodity derivatives and fair value gains on currency derivatives. The result from equity accounted investments improved by €12 million to €43 million.

Taking all these factors into consideration, the profit before tax improved by €371 million to €2,076 million. The pre-tax return on sales was 11.3 % (2011: 10.6 %). The income tax expense for the quarter was €164 million higher, giving an effective tax rate of 35.0 % (2011: 33.0 %).

The BMW Group reports a first-quarter net profit of €1,349 million, an improvement of €207 million over the previous year.

Earnings per share of common stock and preferred stock for the first quarter 2012 amounted to €2.05 (2011: €1.73).

#### Earnings performance by segment

First-quarter revenues of the Automotive segment rose by 12.4 %. Segment profit before tax, at €1,820 million, represented an improvement of €215 million. The main factors behind the improvement were higher volumes

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8

### Revenues by segment in the first quarter

in € million

	External revenues		Inter-segment revenues		Total revenues	
	2012	2011	2012	2011	2012	2011
Automotive	13,447	11,898	2,712	2,475	16,159	14,373
Motorcycles	441	392	7	5	448	397
Financial Services	4,405	3,747	395	436	4,800	4,183
Other Entities	-	-	1	1	1	1
Eliminations	-	-	-3,115	-2,917	-3,115	-2,917
<b>Group</b>	<b>18,293</b>	<b>16,037</b>	<b>-</b>	<b>-</b>	<b>18,293</b>	<b>16,037</b>

on the one hand (+11.2%) and a favourable model sales mix on the other.

Revenues of the Motorcycles segment rose by 12.8% in the first quarter 2012, also reflecting higher volumes. The profit before tax, at €37 million, was higher than in the previous year (2011: €30 million).

First-quarter revenues of the Financial Services segment increased by 14.8% to €4,800 million. The segment profit before tax finished at €434 million, almost unchanged from the previous year (2011: €429 million).

A loss before tax of €21 million was recorded for the Other Entities segment (2011: loss before tax of €24 million), whereby the improvement was mainly attributable to a slight decrease in net financial expenses. Inter-segment eliminations gave rise to a net expense of €194 million in the first quarter. The previous year's figure was

adjusted to a net expense of €335 million in accordance with IAS 8 as a result of the change in accounting policy for leased products.

#### Financial position<sup>1</sup>

The cash flow statements of the BMW Group and the Automotive and Financial Services segments show the sources and applications of cash flows for the first three months of the financial years 2011 and 2012, 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. Cash flows from operating activities are determined indirectly, starting with Group and segment net profit for the period. By contrast, cash flows from investing and financing activities are based on actual payments and receipts.

<sup>1</sup> Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8 and the described reclassifications

### Profit before tax by segment in the first quarter

in € million

	2012	2011 <sup>2</sup>
Automotive	1,820	1,605
Motorcycles	37	30
Financial Services	434	429
Other Entities	-21	-24
Eliminations	-194	-335
<b>Profit before tax</b>	<b>2,076</b>	<b>1,705</b>
Income taxes	-727	-563
<b>Net profit</b>	<b>1,349</b>	<b>1,142</b>

<sup>2</sup> Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8

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Cash inflows and outflows relating to operating leases, where the BMW Group is lessor, are required by IAS 7.14 to be presented within cash flows from operating activities. Up to and including the quarterly report for the period ended 30 September 2011, these cash flows were presented within cash flows from investing activities. The change in presentation in the BMW Group Cash Flow Statement was made with effect from the end of the financial year 2011. Prior year figures have been adjusted accordingly. Cash inflow from operating activities and cash outflow for investing activities decreased by the same amount of €1,051 million in the first quarter 2011.

The presentation of receivables from sales financing within the BMW Group Cash Flow Statement was also changed in the Group Financial Statements with effect from the end of the financial year 2011 to ensure that lease and financing transactions are treated consistently. Previously, changes in receivables from sales financing – including finance leases, where the BMW Group is the lessor – were presented within investing activities. They are now presented within operating activities. The previous year's figures were restated in the interest of comparability. As a result of the change, the cash inflow from operating activities for the first quarter 2011 was reduced by €431 million. The cash outflow for investing activities decreased by the same amount.

Overall, the cash inflow from operating activities for the first quarter 2011 was reduced to €2,123 million and the cash outflow for investing activities to €443 million.

The cash inflow from operating activities for the first quarter increased overall to €2,291 million (2011: €2,123 million), reflecting primarily the €207 million increase in net profit. Changes in working capital had a positive cash flow impact of €315 million (2011: negative cash flow impact of €979 million). Changes in other items gave rise to a net cash outflow of €720 million in the first quarter 2012 (2011: net cash inflow of €628 million).

The cash outflow for investing activities, at €967 million, was €524 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 €156 million compared to the previous year. The change in marketable securities resulted in a €327 million increase in cash outflow. 236.9% (2011: 479.2%) of the cash outflow for investing activities was covered by the cash inflow from operating activities.

As part of the Group's financing activities, the issue of bonds resulted in a cash inflow of €5,677 million (2011: €1,585 million) and the repayment of bonds resulted in a cash outflow of €2,662 million (2011: €1,581 million). Changes in other financial liabilities and commercial paper resulted in a net cash outflow from financing activities of €2,749 million (2011: net cash outflow of €1,858 million).

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group amounting to a net negative amount of €17 million (2011: net negative amount of €127 million), the various cash flows resulted in an increase in cash and cash equivalents of €1,573 million (2011: decrease of €301 million).

The Automotive segment generated a first-quarter cash inflow from operating activities of €2,293 million (2011: €2,076 million), with most of the increase resulting from the €98 million higher segment profit. Changes in working capital resulted in a net cash inflow of €285 million (2011: net cash outflow of €943 million). As in the Cash Flow Statement for the Group, this positive effect was evened out by the net cash outflow of €406 million relating to other items (2011: net cash inflow of €609 million). The cash outflow for investing activities by the Automotive segment was €500 million higher at €942 million, mainly reflecting increased investments in tangible and intangible assets (+€157 million) and in marketable securities (+€294 million). The cash flow statement for the Automotive segment shows a first-quarter surplus of cash inflow from operating activities over cash outflow for investing activities of €1,351 million (2011: €1,634 million).

Free cash flow of the Automotive segment was as follows:

in € million	31.3.2012	31.3.2011*
Cash inflow from operating activities	2,293	2,076
Cash outflow for investing activities	-942	-442
Net investment in marketable securities (investment (+)/sales (-))	284	-10
<b>Free cash flow Automotive segment</b>	<b>1,635</b>	<b>1,624</b>

\* The adjustments result from the reclassification described in note 3.



Net financial assets of the Automotive segment comprise the following:

in € million	31.3.2012	31.12.2011
Cash and cash equivalents	6,884	5,829
Marketable securities and investment funds	2,110	1,801
Intragroup net financial assets	6,401	6,404
<b>Financial assets</b>	<b>15,395</b>	<b>14,034</b>
Less: external financial liabilities*	-1,433	-1,747
<b>Net financial assets Automotive segment</b>	<b>13,962</b>	<b>12,287</b>

\* excluding derivative financial instruments

The cash flow statement for the Financial Services segment for the quarter shows a first-quarter surplus of €278 million. In the previous year, this was 20.3% compensated by a cash inflow from investing activities.

#### Net assets position

The Group balance sheet total increased during the first quarter by €1,835 million or 1.5% to stand at €125,264 million at 31 March 2012. Adjusted for changes in exchange rates, the balance sheet total would have increased by 2.4%.

The main reason for this increase on the assets side of the balance sheet were inventories (+13.1%), cash and cash equivalents (+20.2%) and financial assets (+10.7%). By contrast, decreases were recorded for receivables from sales financing (-1.0%) and trade receivables (-24.7%).

On the equity and liabilities side of the balance sheet, the increase was due to rises in trade payables (+15.8%) and pension provisions (+23.9%). Equity also went up by 5.3%. Decreases were recorded for financial liabilities (-1.4%) and other liabilities (-6.2%).

Compared to 31 December 2011, inventories increased by €1,263 million to €10,901 million, mainly due to the expansion of business operations.

Financial assets increased during the first quarter 2012 by €582 million (+10.7%), mainly reflecting the positive development of derivatives.

Cash and cash equivalents went up by €1,573 million (+20.2%) during the quarter and stood at €9,349 million at 31 March 2012.

While cash and cash equivalents increased, trade receivables decreased by €812 million (-24.7%) to €2,474 million.

Receivables from sales financing went down by €514 million (-1.0%). Adjusted for changes in exchange rates, they would have increased by €60 million (+0.1%).

On the equity and liabilities side of the balance sheet, equity rose overall during the first quarter 2012 by €1,428 million (+5.3%) to €28,531 million, mainly due to the net profit for the period (+€1,349 million) and the fair value measurement of derivative financial instruments (+€887 million) and marketable securities (+€25 million). Income and expenses recognised directly in equity on equity accounted investments (+€31 million) also increased Group equity. Actuarial losses on pension plans (-€541 million) and currency translation differences (-€122 million) worked in the opposite direction. Group equity also decreased by €201 million as a result of the change in deferred taxes on items recognised directly in equity.

The equity ratio of the BMW Group improved overall by 0.8 percentage points to 22.8%. The equity ratio of the Automotive segment was 42.6% (31 December 2011: 41.1%) and that of the Financial Services segment was 8.9% (31 December 2011: 8.7%).

Pension provisions increased by 23.9% to €2,704 million, mainly due to lower interest rates in Germany and the United Kingdom.

Trade payables went up by €843 million (+15.8%) to €6,183 million in line with the increase in sales volume.

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Other provisions were €278 million (+4.4%) higher at €6,531 million. Within other provisions, provisions for personnel-related expenses increased by €230 million and provisions for other obligations by €59 million compared to 31 December 2011. By contrast, provisions for on-going operational expenses decreased by €11 million.

Other liabilities amounted to €9,321 million and were thus €616 million (–6.2%) lower than at 31 December 2011.

Financial liabilities decreased in the first quarter 2012 by €922 million or 1.4%. Adjusted for changes in exchange rates, however, the decrease would have only been 0.3%. The lower level of financial liabilities reflected decreases in commercial paper (down by €3,555 million), derivatives (down by €709 million) and asset-backed-financial transactions (down by €723 million). By comparison to 31 December 2011, bonds increased by €2,787 million and customer deposits (banking) by €1,112 million.

## INTERIM GROUP MANAGEMENT REPORT

### Risk Management Outlook

#### **Risk management**

As a globally operating enterprise, the BMW Group is confronted with numerous risks. A description of these risks and the Group's risk management methods is provided in the Group Management Report for the financial year ended 31 December 2011 (Annual Report, page 67 et seq.).

#### **Sovereign debt clouds economic outlook**

The outlook for the global economy has become increasingly gloomy since the latter part of 2011. One reason for this is the negative impact of the sovereign debt crisis, particularly in euro countries. Endeavours to consolidate state finances are likely to have a negative impact on economic performance in the near future, particularly in the euro zone, but also in the USA, the UK and Japan. By contrast, the longer-term outlook for most emerging markets remains positive. In the short term, however, growth rates are expected to slow down here, too, following the first sign of economic overheating, particularly in the area of domestic demand.

Central banks worldwide have reacted to financial market fluctuations by pursuing even more expansionary monetary policies. The political uncertainty in the Middle East resulted in sharp rises in crude oil prices towards the end of the period under report and, hence, a further risk for the global economy.

Europe is likely to see inconsistent developments in 2012; whereas economic performance in the euro zone as a whole will contract by approximately 0.5%, in Germany it will grow by 0.5%. France's economy is set to stagnate at the previous year's level. Economic contraction of 1% to 1.5% is predicted for Italy and Spain. There is currently no end in sight to the recessions plaguing Greece and Portugal. For the time being at least, economic output in southern European countries is likely to remain below the previous highest levels registered in the years 2007 and 2008. The UK is forecast to grow by approximately 0.3% in the current year since the government commenced its public-sector spending consolidation measures at a very early stage.

The outlook for the USA has brightened up somewhat of late, thanks to positive trends on the employment market. A growth rate of just over 2% is now being forecast for the current year. Sustaining economic growth in the long run, however, will depend on how successful the USA is in restoring health to public finances.

Japan's economy is expected to grow by 1.5% in 2012 and hence recover from the impact of the natural catastrophe that befell the country in the previous year. A strong yen, however, continues to hold back Japan's export-oriented industrial sector, so that economic output in 2012 will still fall short of the previous high level recorded in 2007.

China will again find itself in the role of global economic motor. Even if the pace of growth should fall back to something in the region of 8%, in absolute terms the proportion of global economic growth attributable to China will rise to 40%. The principal reasons for the deceleration of the Chinese economy are the reduction in export volumes to Europe and the current weakness of the construction sector in the face of declining property prices.

The growth rate in India is expected to weaken slightly to 7%. Russia's economy is benefitting from significantly higher oil prices and is forecast to grow by approximately 4%. After a period of economic boom, Brazil is now set to see a phase of consolidation, with growth in the region of 3%.

Sovereign debt developments in the euro zone and the USA also have an impact on currency markets. The European Central Bank reinforced its expansionary monetary policies during the first quarter in an attempt to stabilise financial markets. One effect of this was that the euro appreciated in value by the end of the reporting period to US dollar 1.33. By contrast, the currencies of countries such as Japan and Brazil lost some of their appeal. The renminbi remained stable against the US dollar during the first quarter 2012.

#### **Car markets in 2012**

The world's car markets are forecast to grow at a rate of approximately 4% in 2012.

China will remain ahead of the USA as the largest car market worldwide and, based on a growth rate of 8%, will register a new high level in absolute terms. The shift away from the commercial vehicle segment to the passenger vehicle segment is set to continue. If, however, the slow-down in growth rate experienced in the first quarter should persist throughout 2012, it is possible that the growth rate for the Chinese car market could drop to 5%.

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The US automobile market is forecast to continue its recovery and grow by approximately 10% in 2012, but it still remains below its previous longstanding level.

Contraction on the European market as a whole is likely to be in the region of 7% in 2012. From today's perspective, the German market is the only one of Europe's major car markets that will be able to match the previous year's level. The market is forecast to slip by 2% in Great Britain and by 7% in France. Further decreases are the most likely outcome for Italy and Spain due to the public debt situation in these countries.

Japan's automobile market should grow by more than 15% because the backlog in demand which had built up in the previous year is being reduced.

As far as the world's emerging markets are concerned, India is forecast to grow at 7% in 2012 and Russia by 8%; growth in Brazil is likely to be in the region of 3%.

#### **Motorcycle markets in 2012**

The negative trend in Europe is likely to continue over the course of 2012. It is possible, however, that the pace of contraction will slow down somewhat. By contrast, we expect continued growth of the motorcycle markets in the USA, Brazil and Japan.

#### **The financial services market in 2012**

The sovereign debt crisis will continue to dominate the financial system in 2012. One crucial factor will be whether austerity measures are successfully implemented and actually deliver the desired savings in the indebted countries. Any delays in this process could raise financial market volatility again and have an unfavourable impact on risk spreads.

Given that inflation is not expected to rise significantly in the short term, despite expansionary monetary policies, it can be assumed that the ECB will continue to pump substantial liquidity into the financial system on favourable conditions.

Bad debt rates are expected to improve throughout the lending sector. Owing to political and economic uncertainties, however, the risk situation will remain tense in some southern European countries.

On the whole, residual values are likely to represent an increasing source of risk for providers of financial services. While residual values should remain stable in the USA, it is likely that they will fall in some European markets.

#### **BMW Group's outlook for the remainder of 2012**

The first encouraging signs are emerging that, despite a slight falter, the strength of the global economy is still holding up in 2012. Uncertainties about the stability of the financial system and unfavourable developments in the sovereign debt crisis could have a more negative impact on the macro-economic outlook than so far assumed.

The BMW Group is well positioned in these circumstances. We are meeting the high demand for premium vehicles and services worldwide with our extremely appealing and fresh range of models; the BMW X family and the new models of the 1 Series, 3 Series and 6 Series are proving to be especially popular at the moment. We will continue to expand our product range throughout 2012 and bring numerous new and revised models onto the market.

The new BMW 3 Series Sedan has been available worldwide since February 2012. Now in its sixth generation, this Sport Sedan has received an exceptionally positive response from customers and the media alike. The performance of this highly successful new model in its first full month of sales provided a significant boost to the overall sales volume of the BMW Group. The BMW 6 Series Gran Coupé – the first four-door Coupé in the brand's history – will become available in June and will be followed by the model revision of the BMW 7 Series in July. The MINI Roadster became the sixth member of the MINI family in March 2012. Rolls-Royce Motor Cars will launch the revised Phantom Series II during the second half of the year.

The BMW Group remains confident despite volatile economic conditions; we are aiming to achieve new all-time highs for sales volume and Group profit before tax for the financial year 2012. This is based on the assumption that economic conditions will remain more or less stable over the remainder of the year. The company's strong financial basis provides opportunities to attain further growth with high profitability levels.

**Automotive segment**

We forecast single-digit sales volume growth for the Automotive segment and hence a new sales volume record for the year. Revenues and earnings should also continue to develop positively in 2012. The new BMW 3 Series will provide significant impetus to the sales volume performance of the BMW Group.

We are again striving to achieve an EBIT margin of between 8% and 10% in the Automotive segment and a RoCE of more than 26%. However, depending on political and economic developments, actual margins could end up being above or below the targeted range.

**Motorcycles segment**

The market launches of numerous new BMW and Husqvarna brand models are expected to boost sales volumes in 2012 which should also be reflected in revenues and earnings figures.

**Financial Services segment**

After its good start to the year, the BMW Group's Financial Services business should continue to perform well over the remainder of the year. The main prerequisites for this are that the sovereign debt crisis eases and that the overall risk situation remains stable.

The expected improvement in lending business bad debt rates will have a positive impact on the segment's performance over the remainder of the year. A variety of risk management measures will help to reduce the level of uncertainty in the segment's lending business in southern Europe.

Based on our performance in the first quarter, we forecast a further increase in the Financial Services segment's contract portfolio in 2012 and a RoE of at least 18%.

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Income Statements for Group and Segments for the period from 1 January to 31 March 2012  
Statement of Comprehensive Income for Group for the period from 1 January to 31 March 2012

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### Income Statement for Group and Segments for the first quarter

in € million

	Note	Group	Automotive
		2012	2011* (adjusted)
Revenues	5	18,293	16,037
Cost of sales	6	-14,529	-12,831
<b>Gross profit</b>		<b>3,764</b>	<b>3,206</b>
Selling and administrative expenses	7	-1,636	-1,390
Other operating income	8	181	200
Other operating expenses	8	-177	-221
<b>Profit before financial result</b>		<b>2,132</b>	<b>1,795</b>
Result from equity accounted investments	9	43	31
Interest and similar income	10	187	176
Interest and similar expenses	10	-239	-181
Other financial result	11	-47	-116
<b>Financial result</b>		<b>-56</b>	<b>-90</b>
<b>Profit before tax</b>		<b>2,076</b>	<b>1,705</b>
Income taxes	12	-727	-563
<b>Net profit/loss</b>		<b>1,349</b>	<b>1,142</b>
Attributable to minority interest		7	8
<b>Attributable to shareholders of BMW AG</b>		<b>1,342</b>	<b>1,134</b>
<b>Earnings per share of common stock in €</b>	13	<b>2.05</b>	1.73
<b>Earnings per share of preferred stock in €</b>	13	<b>2.05</b>	1.73
Dilutive effects	13	-	-
<b>Diluted earnings per share of common stock in €</b>	13	<b>2.05</b>	1.73
<b>Diluted earnings per share of preferred stock in €</b>	13	<b>2.05</b>	1.73

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8

### Statement of Comprehensive Income for Group for the first quarter

in € million

	Note	2012	2011* (adjusted)
<b>Net profit</b>		<b>1,349</b>	<b>1,142</b>
Available-for-sale securities		25	-5
Financial instruments used for hedging purposes		887	1,116
Exchange differences on translating foreign operations		-122	-413
Actuarial gains/losses on defined benefit pension obligations, similar obligations and plan assets		-541	-116
Deferred taxes relating to components of other comprehensive income		-201	-401
Other comprehensive income for the period (after tax) from equity accounted investments		31	11
<b>Other comprehensive income for the period after tax</b>	14	<b>79</b>	<b>424</b>
<b>Total comprehensive income</b>		<b>1,428</b>	<b>1,566</b>
Total comprehensive income attributable to minority interests		7	8
<b>Total comprehensive income attributable to shareholders of BMW AG</b>		<b>1,421</b>	<b>1,558</b>

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8

Motorcycles		Financial Services		Other Entities		Eliminations		
2012	2011	2012	2011	2012	2011	2012	2011*	
							(adjusted)	
448	397	4,800	4,183	1	1	-3,115	-2,917	Revenues
-368	-323	-4,160	-3,613	-	-	2,887	2,548	Cost of sales
<u>80</u>	<u>74</u>	<u>640</u>	<u>570</u>	<u>1</u>	<u>1</u>	<u>-228</u>	<u>-369</u>	<b>Gross profit</b>
-46	-43	-211	-164	-4	-2	1	2	Selling and administrative expenses
4	-	8	33	32	54	-13	-14	Other operating income
-1	-	-11	-36	-16	-36	18	17	Other operating expenses
<u>37</u>	<u>31</u>	<u>426</u>	<u>403</u>	<u>13</u>	<u>17</u>	<u>-222</u>	<u>-364</u>	<b>Profit before financial result</b>
-	-	-	-	-	-	-	-	Result from equity accounted investments
2	-2	1	1	452	410	-436	-388	Interest and similar income
-2	-3	-1	-1	-467	-441	464	417	Interest and similar expenses
-	-	8	26	-19	-10	-	-	Other financial result
<u>0</u>	<u>-1</u>	<u>8</u>	<u>26</u>	<u>-34</u>	<u>-41</u>	<u>28</u>	<u>29</u>	Financial result
<u>37</u>	<u>30</u>	<u>434</u>	<u>429</u>	<u>-21</u>	<u>-24</u>	<u>-194</u>	<u>-335</u>	<b>Profit before tax</b>
-12	-10	-146	-151	2	4	68	116	Income taxes
<u>25</u>	<u>20</u>	<u>288</u>	<u>278</u>	<u>-19</u>	<u>-20</u>	<u>-126</u>	<u>-219</u>	<b>Net profit/loss</b>
-	-	-	1	-	-	-	-	Attributable to minority interest
<u>25</u>	<u>20</u>	<u>288</u>	<u>277</u>	<u>-19</u>	<u>-20</u>	<u>-126</u>	<u>-219</u>	<b>Attributable to shareholders of BMW AG</b>
								<b>Earnings per share of common stock in €</b>
								<b>Earnings per share of preferred stock in €</b>
								Dilutive effects
								<b>Diluted earnings per share of common stock in €</b>
								<b>Diluted earnings per share of preferred stock in €</b>

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<b>Assets</b>		Note	Group	Automotive
in € million		31.3.2012	31.12.2011	31.3.2012
Intangible assets	15	5,116	5,238	4,559
Property, plant and equipment	16	11,475	11,685	11,239
Leased products	17	22,997	23,112	151
Investments accounted for using the equity method	18	357	302	336
Other investments	18	486	561	4,542
Receivables from sales financing	19	29,154	29,331	-
Financial assets	20	1,850	1,702	595
Deferred tax	21	1,875	1,926	2,093
Other assets	22	608	568	2,958
<b>Non-current assets</b>		<b>73,918</b>	<b>74,425</b>	<b>26,473</b>
Inventories	23	10,901	9,638	10,540
Trade receivables		2,474	3,286	2,104
Receivables from sales financing	19	19,677	20,014	-
Financial assets	20	4,185	3,751	2,572
Current tax	21	1,328	1,194	1,147
Other assets	22	3,432	3,345	15,467
Cash and cash equivalents		9,349	7,776	6,884
<b>Current assets</b>		<b>51,346</b>	<b>49,004</b>	<b>38,714</b>
<b>Total assets</b>		<b>125,264</b>	<b>123,429</b>	<b>65,187</b>

### Equity and liabilities

in € million		Note	Group	Automotive
		31.3.2012	31.12.2011	31.3.2012
Subscribed capital		655	655	-
Capital reserves		1,955	1,955	-
Revenue reserves		27,045	26,102	-
Accumulated other equity		-1,189	-1,674	-
<b>Equity attributable to shareholders of BMW AG</b>		<b>28,466</b>	<b>27,038</b>	<b>-</b>
Minority interest		65	65	-
<b>Equity</b>	24	<b>28,531</b>	<b>27,103</b>	<b>27,759</b>
Pension provisions		2,704	2,183	1,144
Other provisions	25	3,102	3,149	2,783
Deferred tax	26	3,499	3,273	1,073
Financial liabilities	27	39,911	37,597	1,603
Other liabilities	28	2,919	2,911	3,340
<b>Non-current provisions and liabilities</b>		<b>52,135</b>	<b>49,113</b>	<b>9,943</b>
Other provisions	25	3,429	3,104	2,844
Current tax	26	1,440	1,363	1,243
Financial liabilities	27	27,144	30,380	706
Trade payables		6,183	5,340	5,405
Other liabilities	28	6,402	7,026	17,287
<b>Current provisions and liabilities</b>		<b>44,598</b>	<b>47,213</b>	<b>27,485</b>
<b>Total equity and liabilities</b>		<b>125,264</b>	<b>123,429</b>	<b>65,187</b>



								<b>Assets</b>	
Motorcycles		Financial Services		Other Entities		Eliminations			
31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011		
59	56	497	499	1	1	-	-	Intangible assets	
197	202	39	39	-	-	-	-	Property, plant and equipment	
-	-	25,889	25,900	-	-	-3,043	-2,939	Leased products	
-	-	-	-	21	21	-	-	Investments accounted for using the equity method	
-	-	8	8	5,705	5,727	-9,769	-9,694	Other investments	
-	-	29,154	29,331	-	-	-	-	Receivables from sales financing	
-	-	59	67	1,580	1,883	-384	-535	Financial assets	
-	-	210	216	394	373	-822	-939	Deferred tax	
-	-	1,181	1,185	15,814	15,384	-19,345	-19,140	Other assets	
<b>256</b>	<b>258</b>	<b>57,037</b>	<b>57,245</b>	<b>23,515</b>	<b>23,389</b>	<b>-33,363</b>	<b>-33,247</b>	<b>Non-current assets</b>	
345	318	16	11	-	-	-	-	Inventories	
209	128	160	143	1	1	-	-	Trade receivables	
-	-	19,677	20,014	-	-	-	-	Receivables from sales financing	
-	-	971	877	1,048	955	-406	-388	Financial assets	
-	-	103	78	78	51	-	-	Current tax	
53	33	2,885	2,823	28,632	29,098	-43,605	-43,942	Other assets	
1	3	2,341	1,518	123	426	-	-	Cash and cash equivalents	
<b>608</b>	<b>482</b>	<b>26,153</b>	<b>25,464</b>	<b>29,882</b>	<b>30,531</b>	<b>-44,011</b>	<b>-44,330</b>	<b>Current assets</b>	
<b>864</b>	<b>740</b>	<b>83,190</b>	<b>82,709</b>	<b>53,397</b>	<b>53,920</b>	<b>-77,374</b>	<b>-77,577</b>	<b>Total assets</b>	

								<b>Equity and liabilities</b>	
Motorcycles		Financial Services		Other Entities		Eliminations			
31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011		
-	-	7,375	7,169	6,349	6,576	-12,952	-12,796	Subscribed capital	
-	-	-	-	-	-	-	-	Capital reserves	
-	-	-	-	-	-	-	-	Revenue reserves	
-	-	-	-	-	-	-	-	Accumulated other equity	
-	-	-	-	-	-	-	-	<b>Equity attributable to shareholders of BMW AG</b>	
-	-	-	-	-	-	-	-	Minority interest	
<b>31</b>	<b>44</b>	<b>52</b>	<b>52</b>	<b>1,477</b>	<b>1,276</b>	<b>-</b>	<b>-</b>	<b>Equity</b>	
<b>123</b>	<b>114</b>	<b>165</b>	<b>164</b>	<b>31</b>	<b>31</b>	<b>-</b>	<b>-</b>	Pension provisions	
-	-	4,299	4,302	1	10	-1,874	-1,932	Other provisions	
-	-	12,433	13,251	26,259	23,059	-384	-535	Deferred tax	
426	383	17,243	17,172	19	27	-18,109	-17,960	Financial liabilities	
<b>580</b>	<b>541</b>	<b>34,192</b>	<b>34,941</b>	<b>27,787</b>	<b>24,403</b>	<b>-20,367</b>	<b>-20,427</b>	<b>Non-current provisions and liabilities</b>	
57	57	297	297	228	228	3	3	Other provisions	
-	-	92	78	105	97	-	-	Current tax	
-	-	17,010	16,160	9,834	13,141	-406	-389	Financial liabilities	
218	125	559	481	1	15	-	-	Trade payables	
9	17	23,665	23,583	9,093	9,460	-43,652	-43,968	Other liabilities	
<b>284</b>	<b>199</b>	<b>41,623</b>	<b>40,599</b>	<b>19,261</b>	<b>22,941</b>	<b>-44,055</b>	<b>-44,354</b>	<b>Current provisions and liabilities</b>	
<b>864</b>	<b>740</b>	<b>83,190</b>	<b>82,709</b>	<b>53,397</b>	<b>53,920</b>	<b>-77,374</b>	<b>-77,577</b>	<b>Total equity and liabilities</b>	

## INTERIM GROUP FINANCIAL STATEMENT

Cash Flow Statements for Group and Segments for the period  
from 1 January to 31 March 2012

	Group	2011*	
	2012	(adjusted)	
2 <b>BMW GROUP</b>			
<b>IN FIGURES</b>			
in € million			
4 <b>INTERIM GROUP</b>			
<b>MANAGEMENT REPORT</b>			
4 The BMW Group – an Overview	Net profit	1,349	1,142
5 General Economic Environment	Depreciation and amortisation of tangible, intangible and investment assets	872	888
6 Automotive	Change in provisions	272	229
10 Motorcycles	Change in leased products and receivables from sales financing	55	-17
11 Financial Services	Change in deferred taxes	148	232
13 BMW Group – Capital Market Activities	Changes in working capital	315	-979
14 Financial Analysis	Other	-720	628
19 Risk Management	<b>Cash inflow / outflow from operating activities</b>	<b>2,291</b>	<b>2,123</b>
19 Outlook	Investment in intangible assets and property, plant and equipment	-599	-443
22 <b>INTERIM GROUP</b>	Net investment in marketable securities	-334	-7
<b>FINANCIAL STATEMENT</b>	Other	-34	7
22 Income Statements	<b>Cash inflow / outflow from investing activities</b>	<b>-967</b>	<b>-443</b>
22 Statement of Comprehensive Income for Group	<b>Cash inflow / outflow from financing activities</b>	<b>266</b>	<b>-1,854</b>
24 Balance Sheets	<b>Effect of exchange rate on cash and cash equivalents</b>	<b>-28</b>	<b>-183</b>
26 <b>Cash Flow Statements</b>	<b>Effect of changes in composition of Group on cash and cash equivalents</b>	<b>11</b>	<b>56</b>
28 Group Statement of Changes in Equity	<b>Change in cash and cash equivalents</b>	<b>1,573</b>	<b>-301</b>
30 Notes	Cash and cash equivalents as at 1 January	7,776	7,432
46 <b>OTHER INFORMATION</b>	<b>Cash and cash equivalents as at 31 March</b>	<b>9,349</b>	<b>7,131</b>
46 Financial Calendar			
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\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8 and the described reclassifications

Automotive		Financial Services		
2012	2011* (adjusted)	2012	2011* (adjusted)	
1,181	1,083	288	278	Net profit
853	867	6	5	Depreciation and amortisation of tangible, intangible and investment assets
292	216	7	-9	Change in provisions
1	-2	-100	-272	Change in leased products and receivables from sales financing
87	246	104	92	Change in deferred taxes
285	-943	58	52	Changes in working capital
-406	609	-32	-274	Other
<b>2,293</b>	<b>2,076</b>	<b>331</b>	<b>-128</b>	<b>Cash inflow / outflow from operating activities</b>
-585	-428	-3	-1	Investment in intangible assets and property, plant and equipment
-284	10	-51	25	Net investment in marketable securities
-73	-24	1	2	Other
<b>-942</b>	<b>-442</b>	<b>-53</b>	<b>26</b>	<b>Cash inflow / outflow from investing activities</b>
<b>-291</b>	<b>-2,005</b>	<b>554</b>	<b>405</b>	<b>Cash inflow / outflow from financing activities</b>
<b>-15</b>	<b>-127</b>	<b>-10</b>	<b>-41</b>	<b>Effect of exchange rate on cash and cash equivalents</b>
<b>10</b>	<b>-</b>	<b>1</b>	<b>54</b>	<b>Effect of changes in composition of Group on cash and cash equivalents</b>
<b>1,055</b>	<b>-498</b>	<b>823</b>	<b>316</b>	<b>Change in cash and cash equivalents</b>
<b>5,829</b>	<b>5,585</b>	<b>1,518</b>	<b>1,227</b>	Cash and cash equivalents as at 1 January
<b>6,884</b>	<b>5,087</b>	<b>2,341</b>	<b>1,543</b>	<b>Cash and cash equivalents as at 31 March</b>

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in € million	Note	Subscribed capital	Capital reserves	Revenue reserves	
				Pension obligations	Other revenue reserves
<b>1 January 2011</b> (as originally reported)		<b>655</b>	<b>1,939</b>	<b>–</b>	<b>23,447</b>
Change in accounting policy and reclassifications*	3 –	–	–	–1,785	830
<b>1 January 2011</b> (adjusted)	24 –	<b>655</b>	<b>1,939</b>	<b>–1,785</b>	<b>24,277</b>
Net profit		–	–	–	–1,134
Other comprehensive income for the period after tax		–	–	–83	–
<b>Comprehensive income 31 March 2011</b>		<b>–</b>	<b>–</b>	<b>83</b>	<b>1,134</b>
Other changes		–	–	–	–
<b>31 March 2011</b> (adjusted)	24 –	<b>655</b>	<b>1,939</b>	<b>–1,702</b>	<b>25,411</b>

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8 and the reclassification of actuarial gains and losses arising on defined benefit pension

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves	
				Pension obligations	Other revenue reserves
<b>31 December 2011</b>	24 –	<b>655</b>	<b>1,955</b>	<b>–2,204</b>	<b>28,306</b>
Net profit		–	–	–	–1,342
Other comprehensive income for the period after tax		–	–	–406	–
<b>Comprehensive income 31 March 2012</b>		<b>–</b>	<b>–</b>	<b>–406</b>	<b>1,342</b>
Other changes		–	–	–	–
<b>31 March 2012</b>	24 –	<b>655</b>	<b>1,955</b>	<b>–2,610</b>	<b>29,648</b>

Accumulated other equity				Treasury shares	Equity attributable to shareholders of BMW AG	Minority interest	Total	
Translation differences	Securities	Derivative financial instruments	Pension obligations					
<u>-1,064</u>	<u>9</u>	<u>-127</u>	<u>-1,785</u>	<u>-</u>	<u>23,074</u>	<u>26</u>	<u>23,100</u>	<b>1 January 2011</b> (as originally reported)
-	-	-	1,785	-	830	-	<b>830</b>	Change in accounting policy and reclassifications*
<u>-1,064</u>	<u>9</u>	<u>-127</u>	<u>-</u>	<u>-</u>	<u>23,904</u>	<u>26</u>	<u>23,930</u>	<b>1 January 2011</b> (adjusted)
-	-	-	-	-	1,134	8	<b>1,142</b>	Net profit
-427	-3	-771	-	-	424	-	<b>424</b>	Other comprehensive income for the period after tax
<u>-427</u>	<u>-3</u>	<u>771</u>	<u>-</u>	<u>-</u>	<u>1,558</u>	<u>8</u>	<u>1,566</u>	<b>Comprehensive income 31 March 2011</b>
-	-	-	-	-	-	10	<b>10</b>	Other changes
<u>-1,491</u>	<u>6</u>	<u>644</u>	<u>-</u>	<u>-</u>	<u>25,462</u>	<u>44</u>	<u>25,506</u>	<b>31 March 2011</b> (adjusted)

Accumulated other equity				Treasury shares	Equity attributable to shareholders of BMW AG	Minority interest	Total	
Translation differences	Securities	Derivative financial instruments	Pension obligations					
<u>-863</u>	<u>-61</u>	<u>-750</u>	<u>-</u>	<u>-</u>	<u>27,038</u>	<u>65</u>	<u>27,103</u>	<b>31 December 2011</b>
-	-	-	-	-	1,342	7	<b>1,349</b>	Net profit
-133	5	613	-	-	79	-	<b>79</b>	Other comprehensive income for the period after tax
<u>-133</u>	<u>5</u>	<u>613</u>	<u>-</u>	<u>-</u>	<u>1,421</u>	<u>7</u>	<u>1,428</u>	<b>Comprehensive income 31 March 2012</b>
-7	-	-	-	-	7	-7	-	Other changes
<u>-989</u>	<u>-56</u>	<u>-137</u>	<u>-</u>	<u>-</u>	<u>28,466</u>	<u>65</u>	<u>28,531</u>	<b>31 March 2012</b>

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### 1 – Basis of preparation

The Group Financial Statements of BMW AG at 31 December 2011 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 2012, 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 those utilised in the 2011 Group Financial Statements. The BMW Group applies the option, available under IAS 34.8, of publishing condensed group financial statements. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which are mandatory at 31 March 2012 have also been applied. The Interim Report also complies with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the German Accounting Standards Committee e.V. (GASC).

Further information regarding the Group's accounting principles and policies is contained in the Group Financial Statements at 31 December 2011.

In order to improve clarity, various items are aggregated in the income statement and balance sheet. These items are disclosed and analysed separately in the notes.

A Statement of Comprehensive Income is presented at Group level reconciling the net profit to comprehensive income for the period.

In order to provide a better insight into the net assets, financial position and performance of the BMW Group and going beyond the requirements of IFRS 8 (Operating Segments), the Interim Group Financial Statements also include balance sheets and income statements for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by statements of cash flows for the Automotive and Financial Services segments.

In order to facilitate the sale of its products, the BMW Group provides various financial services – mainly loan and lease financing – to both retail customers and dealers. The inclusion of the financial services activities of the Group therefore has an impact on the Interim Group Financial Statements.

Inter-segment transactions – relating primarily to internal sales of products, the provision of funds and the

related interest – are eliminated in the “Eliminations” column. More detailed information regarding the allocation of activities of the BMW Group to segments and a description of the segments is provided in the explanatory notes to segment information in the Group Financial Statements of BMW AG for the year ended 31 December 2011.

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 usually take 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 2012 totalled €8.7 billion (31 December 2011: €9.4 billion).

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

The Interim Group Financial Statements at 31 March 2012 have neither been audited nor reviewed by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

The Group currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise.

The preparation of the Group Financial Statements requires management to make certain assumptions and judgements and to use estimations that can affect the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. All assumptions and

estimates are based on factors known at the end of the reporting period. They are determined on the basis of the most likely outcome of future business developments. Actual amounts could differ from those assump-

tions and estimates if business conditions develop differently to the Group's expectations at the end of the reporting period. Estimates and underlying assumptions are checked regularly.

## 2 – Consolidated companies

The BMW Group Financial Statements for the first quarter 2012 include, besides BMW AG, 26 German and 169 foreign subsidiaries. This includes six special purpose securities funds and 23 special purpose trusts, almost all of which are used for asset backed financing.

PT BMW Indonesia, Jakarta, BMW China Services Ltd., Beijing, and BMW India Financial Services Private Ltd., New Delhi, were consolidated for the first time in the first quarter 2012. BMW India Financial Services Private Ltd., New Delhi, has a year end (31 March) that differs from the financial year of BMW AG, Munich.

During the first three months of 2012 Alphabet B.V., Rijswijk, was merged with Alphabet Nederland B.V.,

Breda, and therefore ceased to be a consolidated company.

BMW Fuhrparkmanagement Beteiligungs GmbH, Munich, changed its name to Alphabet International GmbH, Munich, in the first quarter 2012.

Compared to the corresponding period last year, 16 subsidiaries and twelve special purpose trusts have been consolidated for the first time. Four subsidiaries and eight special purpose trusts ceased to be consolidated companies.

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

## 3 – Adjustment in accordance with IAS 8

The BMW Group changed its accounting policy for leased products in the financial year 2011. Under the previous method, changes in residual value expectations resulted directly in changes in the level of impairment losses. Under the new method, in situations where the recoverable amount of the lease exceeds the carrying amount of the asset at the Group level, scheduled depreciation is adjusted prospectively over the remaining term of the lease contract. In the Group Financial Statements prior to 2011, impairment losses were recognized on segment carrying amounts, even

though these included eliminated intragroup profits from a Group perspective. The accounting method has been changed since there is no requirement in this situation for the recognition of an impairment loss. The adjustment has been recorded retrospectively, the principal effect of which was to increase equity. The adjustment only has a minimal impact on the income statement and had no impact on reported cash flows or on segment disclosures.

The retrospective adjustment resulted in the following adjustment of prior year figures:

### Adjusted quarterly profit before tax for 2011

in € million	As originally reported	Adjustment	Adjusted amount
First quarter	1,812	-107	1,705
Second quarter	4,516	-161	4,355
Third quarter	6,160	-116	6,044
Year-end Group Financial Statements	-	-11	-7,383

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### Change in presentation in the income statement

1st quarter 2011 in € million	As originally reported	Adjustment	As reported
Cost of sales	-12,724	-107	-12,831
Gross profit	3,313	-107	3,206
Profit/loss before financial result	1,902	-107	1,795
Profit/loss before tax	1,812	-107	1,705
Income taxes	-600	-37	-563
Net profit/loss	1,212	-70	1,142
Attributable to shareholders of BMW AG	1,204	-70	1,134
Earnings per share of common stock in €	1.84	-0.11	1.73
Earnings per share of preferred stock in €	1.84	-0.11	1.73
Diluted earnings per share of common stock in €	1.84	-0.11	1.73
Diluted earnings per share of preferred stock in €	1.84	-0.11	1.73

### Change in presentation of the Statement of Cash Flows

The change in accounting policy for leased products according to IAS 8 did not have any impact on reported cash inflows and outflows. Since the indirect method is used to compute the operating cash flow, the only items to change in the Cash Flow Statement were net profit (decreased by €70 million) and amounts reported as non-cash adjusting items within the cash flow from operating activities (change in leased products increased by €107 million and change in deferred taxes decreased by €37 million).

The presentation in the Group Cash Flow Statement of cash inflows and outflows relating to operating leases on the one hand and of receivables from sales financing on the other was changed in the Group Financial Statements for the year ended 31 December 2011.

Cash inflows and outflows relating to operating leases, where the BMW Group is lessor, are required by IAS 7.14 to be presented within cash flows from operating activities. Up to and including the quarterly report for the period ended 30 September 2011, these cash flows were presented within cash flows from investing activities. The change in presentation in the BMW Group Cash

Flow Statement was made with effect from the end of the financial year 2011. Prior year figures have been adjusted accordingly. Cash inflow from operating activities and cash outflow for investing activities decreased by the same amount of €1,051 million in the first quarter 2011.

The change of presentation in the Cash Flow Statement for receivables from sales financing was made to ensure that lease and financing transactions are treated consistently. Previously, changes in receivables from sales financing – including finance leases, where the BMW Group is the lessor – were presented within investing activities. They are now presented within operating activities. The previous year's figures were restated in the interest of comparability. As a result of the change, the cash inflow from operating activities for the first quarter 2011 was reduced by €431 million. The cash outflow for investing activities decreased by the same amount.

Overall, the amount reported for cash flows from operating activities for the first quarter 2011 was reduced by €1,482 million to €2,123 million and the cash outflow for investing activities was reduced to €443 million.



The following table summarises adjustments made as a result of the change in accounting policy for leased products and changes in presentation in the Group Cash Flow Statement:

in € million	2011	Change in accounting policy for leased products	Adjustment leased products	Adjustment of receivables from sales financing	As reported
Net profit	1,212	-70	-	-	<b>1,142</b>
Change in leased products and receivables from sales financing (as reported in 2012)	-	-107	298	-422	<b>-17</b>
Impairment losses on leased products (as reported in 2011)	1,349	-	-1,349	-	-
Change in deferred taxes	269	-37	-	-	<b>232</b>
Other	637	-	-	-9	<b>628</b>
Cash inflow/outflow from operating activities	3,605	-	-1,051	-431	<b>2,123</b>
Cash inflow/outflow from investing activities	-1,925	-	-1,051	431	<b>-443</b>

#### 4 – New financial reporting rules

##### (a) Financial reporting rules applied for the first time in the first quarter 2012

The following changed Standard was applied for the first time in the first quarter 2012.

Standard	Date of mandatory application	Endorsed by the EU at 31.3.2012	Expected impact on BMW Group
IFRS 7 – Disclosure Requirements in the Event of the Transfer of Financial Assets	1.1.2012	Yes	Insignificant

##### (b) Financial reporting pronouncements issued by the IASB, but not yet applied

The following Standards, Revised Standards and Amendments issued by the IASB during previous accounting periods, were not mandatory for the period under report and were not applied in the first quarter 2012:

Standard/Interpretation	Date of issue by IASB	Date of mandatory application	Endorsed by the EU	Expected impact on BMW Group
IFRS 1 – Amendments with Respect to Fixed Transition Dates and Severe Inflation	20.12.2010	1.7.2011	No	None
IFRS 1 – Amendments relating to Government Loans at a Below Market rate of Interest	13.3.2012	1.1.2013	No	None
IFRS 7 – Notes Disclosures: Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2013	No	Insignificant
IFRS 9 – Financial Instruments	12.11.2009/ 28.10.2010 16.12.2011	1.1.2015	No	Significant in principle: Classification and measurement of financial assets could change. Insignificant: Accounting for financial liabilities
IFRS 10 – Consolidated Financial Statements	12.5.2011	1.1.2013	No	Significant in principle
IFRS 11 – Joint Arrangements	12.5.2011	1.1.2013	No	Significant in principle
IFRS 12 – Disclosure of Interests in Other Entities	12.5.2011	1.1.2013	No	Significant in principle
IFRS 13 – Fair Value Measurement	12.5.2011	1.1.2013	No	Significant in principle
IAS 1 – Changes to Presentation of Items in Other Comprehensive Income (OCI)	16.6.2011	1.7.2012	No	Significant in principle
IAS 12 – Recovery of Underlying Assets	20.12.2010	1.1.2012	No	Insignificant

	Standard/Interpretation	Date of issue by IASB	Date of mandatory application	Endorsed by the EU	Expected impact on BMW Group
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5 General Economic Environment					
6 Automotive	IAS 27 – Separate Financial Statements	12.5.2011	1.1.2013	No	None
10 Motorcycles	IAS 28 – Investments in Associates and Joint Ventures	12.5.2011	1.1.2013	No	None
11 Financial Services					
13 BMW Group – Capital Market Activities	IAS 32 – Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2014	No	Insignificant
14 Financial Analysis					
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In November 2009 the IASB issued IFRS 9 (Financial Instruments: Disclosures) as the first part of its project to change the accounting treatment for financial instruments. This Standard marks the first phase of the three-phase project to replace the existing IAS 39 (Financial Instruments: Recognition and Measurement). The first phase deals with financial assets. IFRS 9 amends the recognition and measurement requirements for financial assets (including hybrid contracts). It applies a uniform approach to accounting for a financial asset either at amortised cost or fair value and replaces the various rules contained in IAS 39. Under the new rules, there will only be two, instead of four, measurement categories for financial instruments recognised on the assets side of the balance sheet. The new categorisation is based partly on the entity's business model and partly on the contractual cash flow characteristics of the financial assets.

In October 2010 the IASB issued an addition to IFRS 9 for financial liabilities accounting. The requirements for financial liabilities contained in IAS 39 remain unchanged with the exception of new requirements relating to an entity's own credit when it exercises the fair value option. IFRS 9 is mandatory for financial years beginning on or after 1 January 2015. The BMW Group does not intend to apply IFRS 9 early. The impact of adoption of the Standard on the Group Financial Statements is currently being assessed.

In May 2011 the IASB issued three new Standards – IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), IFRS 12 (Disclosure of Interests in Other Entities) – as well as amendments to IAS 27 (Consolidated and Separate Financial Statements) and to IAS 28 (Investments in Associates) all relating to accounting for business combinations. The Standards

are mandatory for the first time for annual periods beginning on or after 1 January 2013. Early adoption is permitted. The new Standards are required to be applied retrospectively.

IFRS 10 replaces the consolidation guidelines contained in IAS 27 and SIC-12 (Consolidation – Special Purpose Entities). The requirements for separate financial statements remain unchanged in the revised version of IAS 27.

IFRS 10 introduces a uniform model which establishes control as the basis for consolidation – control of a subsidiary entity by a parent entity – and which can be applied to all entities. The control concept must therefore be applied both to parent-subsidiary relationships based on voting rights as well as to parent-subsidiary relationships arising from other contractual arrangements. Under the control concept established in IFRS 10, an investor controls another entity when it is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 supersedes IAS 31 (Interests in Joint Ventures) and SIC-13 (Jointly Controlled Entities – Non-Monetary Contributions by Ventures). IFRS 11 sets out the requirements for accounting for joint arrangements and focuses on the rights and obligations that arise from such arrangements. IFRS 11 distinguishes between two types of joint arrangements, namely joint operations and joint ventures, and therefore results in a change in the classification of joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrange-

ment. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires joint operators to account for their share of assets and liabilities in the joint operation (and their share of income and expenses). Joint venturers are required to account for their investment using the equity method. The withdrawal of IAS 31 means the removal of the option to account for joint ventures using either the proportionate consolidation or the equity method. The equity method must be applied in accordance with amended IAS 28.

IFRS 12 sets out the requirements for disclosures relating to all types of interests in other entities, including joint arrangements, associated entities, structured entities and unconsolidated entities.

BMW Group is currently investigating the impact on the Group Financial Statements of applying IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28. The removal of the option for accounting for joint ventures is not expected to have a significant impact since the BMW Group accounts for joint ventures using the equity method. As a result of the new classification rules pursuant to IFRS 11, some joint ventures of the BMW Group may, in future, be required to be accounted for as joint operations. The BMW Group does not intend to adopt the Amendments early.

In May 2011 the IASB published IFRS 13 (Fair Value Measurement). IFRS 13 defines the term fair value, sets out the requirements for measuring fair value where another IFRS prescribes fair value measurement (or fair value disclosure) and stipulates uniform disclosure requirements with respect to fair value measurement. IFRS 13 is mandatory for financial years beginning on or after 1 January 2013. The Standard is required to be applied prospectively. Early adoption is permitted, but not planned. The BMW Group is currently investigating the impact of IFRS 13.

The IASB published IAS 1 (Presentation of Financial Statements) in June 2011. The amendments to IAS 1 require that items reported in accumulated other equity (other comprehensive income or OCI) are sub-divided into elements that will be "recycled" in the income statement and those which will not. Tax associated with items presented before tax are also required to be shown separately for each of the two groups of OCI items. The

recognition of these items is regulated in separate Standards. The amendments to IAS 1 are mandatory for annual periods beginning on or after 1 July 2012. The amendments are required to be applied retrospectively. Early adoption is permitted but will not be applied by the BMW Group. It is not expected that the change in presentation of items in OCI will have a significant impact on the Group Financial Statements.

In June 2011 the IASB published amendments to IAS 19 (Employee Benefits), in particular in relation to post-retirement benefits and pensions. The main amendments involve the removal of the option to defer actuarial gains and losses (the so-called "corridor method") and the requirement to recognise actuarial gains and losses in OCI. The amended IAS 19 also requires plan assets to be discounted using the same rate that is applied to discount pension obligations. It also results in changes in the treatment of termination benefits and expands disclosure requirements compared to the previous IAS 19. The amended IAS 19 is mandatory for annual periods beginning on or after 1 January 2013. Early adoption is permitted. The amendments are required to be applied retrospectively. The BMW Group does not expect that the amendments to IAS 19 will have a significant impact on the Group Financial Statements, since the BMW Group does not apply the corridor method and actuarial gains and losses are already recognised in OCI. The BMW Group does not intend to adopt the Standard early.

The IASB has published various other Standards and Interpretations. None of these recently published Standards and Interpretations, whether adopted or not yet adopted by the BMW Group, will have a significant impact on the Group Financial Statements.

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### 5 – Revenues

Revenues by activity comprise the following:

in € million	1st quarter 2012	1st quarter 2011
Sales of products and related goods	13,700	12,124
Income from lease instalments	1,671	1,336
Sale of products previously leased to customers	1,617	1,506
Interest income on loan financing	738	674
Other income	567	397
<b>Revenues</b>	<b>18,293</b>	<b>16,037</b>

An analysis of revenues by business segment is shown in the segment information in note 30.

### 6 – Cost of sales

Cost of sales in the first quarter include €3,969 million (2011: €3,396 million) relating to financial services business.

comprising all research costs and development costs not recognised as assets as well as the amortisation of capitalised development costs amounting to €301 million (2011: €299 million).

First-quarter cost of sales includes research and development expenses of €972 million (2011: €813 million),

### 7 – Selling and administrative expenses

Selling expenses amounted to €1,236 million in the first quarter 2012 (2011: €1,039 million) and comprise mainly marketing, advertising and sales personnel expenses.

Administrative expenses in the first quarter amounted to €400 million (2011: €351 million) and comprise expenses for administration not attributable to development, production or sales functions.

### 8 – Other operating income and expenses

Other operating income in the first quarter totalled €181 million (2011: €200 million), while other operating expenses amounted to €177 million (2011: €221 million).

These items principally include exchange gains and losses, gains and losses on the disposal of assets, write-downs and income/expense from the reversal of, and allocation to, provisions.

### 9 – Result from equity accounted investments

The result from equity accounted investments in the first quarter was a positive amount of €43 million (2011: €31 million). It comprises the BMW Group's share of the results of BMW Brilliance Automotive Ltd., Shenyang, SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs

GmbH, Munich, SGL Automotive Carbon Fibers LLC, Dover, DE, BMW Peugeot Citroën Electrification B.V., The Hague, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich (all joint ventures) as well as from the participation in Cirquent GmbH, Munich.

### 10 – Net interest expense

in € million	1st quarter 2012	1st quarter 2011
Interest and similar income	187	176
Interest and similar expenses	-239	-181
<b>Net interest result</b>	<b>-52</b>	<b>-5</b>

## 11 – Other financial result

in € million	1st quarter 2012	1st quarter 2011
Result on investments	1	-
Sundry other financial result	-48	-116
<b>Other financial result</b>	<b>-47</b>	<b>-116</b>

## 12 – Income taxes

Taxes on income comprise the following:

in € million	1st quarter 2012	1st quarter 2011*
Current tax expense	579	332
Deferred tax expense	148	231
<b>Income taxes</b>	<b>727</b>	<b>563</b>

The effective tax rate for the three-month period to 31 March 2012 was 35.0% (2011\*: 33.0%).

## 13 – Earnings per share

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

	1st quarter 2012	1st quarter 2011*
Profit attributable to the shareholders	€ million 1,342.4	1,134.4
Profit attributable to common stock	€ million (rounded) 1,232.7	1,042.3
Profit attributable to preferred stock	€ million (rounded) 109.7	92.1
Average number of common stock shares in circulation	number 601,995,196	601,995,196
Average number of preferred stock shares in circulation	number 53,571,372	53,163,412
<b>Earnings per share of common stock</b>	€ 2.05	1.73
<b>Earnings per share of preferred stock</b>	€ 2.05	1.73

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 €0.02 per share of preferred stock are spread over the four

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. As in the previous year, diluted earnings per share correspond to undiluted earnings per share.

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8

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### 14 – Disclosures relating to total comprehensive income

Other comprehensive income for the period after tax comprises the following:

in € million	1st quarter 2012		1st quarter 2011	
Available-for-sale securities				
Gains/losses in the period	28		-4	
Amounts reclassified to income statement	-3		-1	
	<u>25</u>		<u>-5</u>	
Financial instruments used for hedging purposes				
Gains/losses in the period	817		1,161	
Amounts reclassified to income statement	70		-45	
	<u>887</u>		<u>1,116</u>	
Exchange differences on translating foreign operations	-122		-413	
Actuarial gains/losses on defined benefit pension obligations and similar obligations	-541		-116	
Deferred taxes relating to components of other comprehensive income	-201		-401	
Other comprehensive income for the period from equity accounted investments	31		11	
<b>Other comprehensive income for the period after tax</b>	<u>79</u>		<u>424</u>	

Deferred taxes on components of other comprehensive income in the first quarter are as follows:

in € million	1st quarter 2012			1st quarter 2011		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Available-for-sale securities	25	-20	5	-5	2	-3
Financial instruments used for hedging purposes	887	-316	571	1,116	-370	746
Exchange differences on translating foreign operations	-122	-	-122	-413	-	-413
Actuarial gains/losses on defined benefit pension obligations and similar obligations	-541	135	-406	116	-33	83
Other comprehensive income for the period from equity accounted investments	45	-14	31	19	-8	11
<b>Other comprehensive income</b>	<u>294</u>	<u>-215</u>	<u>79</u>	<u>833</u>	<u>-409</u>	<u>424</u>

During the first quarter 2012 an amount of €3 million was reclassified from accumulated other equity to the income statement in conjunction with the early termination of cash flow hedges. The derivatives concerned

were re-designated prior to maturity since it was no longer considered likely that the underlying items to which they had originally been designated would arise.

### 15 – Intangible assets

Intangible assets mainly 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 2012 amounted to €4,278 million (31 December 2011: €4,388 million). Additions to development costs in the first quarter totalled €191 million (2011: €150 million). The amortisation expense for the quarter was €301 million (2011: €299 million).

In addition, intangible assets include a brand-name right amounting to €43 million (31 December 2011: €43 million), goodwill of €33 million (31 December 2011: €33 million) allocated to the Automotive cash-generating unit and goodwill of €336 million (31 December 2011: €336 million) allocated to the Financial Services cash-generating unit.

**16 – Property, plant and equipment**

Capital expenditure for property, plant and equipment in the first three months of 2012 totalled €396 million (2011:

€284 million). The depreciation expense for the same period amounted to €548 million (2011: €561 million).

**17 – Leased products**

Additions to leased products and depreciation thereon in the first quarter amounted to €2,818 million (2011\*: €2,209 million) and €914 million (2011\*: €853 million) respectively. Disposals amounted to €1,823 million (2011: €1,761 million). The translation of foreign currency

financial statements resulted in a net negative translation difference of €196 million (2011: net negative translation difference of €456 million).

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8

**18 – Investments accounted for using the equity method and other investments**

Investments accounted for using the equity method include the BMW Group's interests in BMW Brilliance Automotive Ltd., Shenyang, SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, SGL Automotive Carbon Fibers LLC, Dover, DE, BMW Peugeot Citroën Electrification B.V., The Hague, DriveNow

GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich (all joint ventures) and the participation in Cirquent GmbH, Munich.

Other investments relate primarily to investments in non-consolidated subsidiaries, investments in other companies and non-current marketable securities. No impairment losses were recognised on investments in the first quarter.

**19 – Receivables from sales financing**

Receivables from sales financing totalling €48,831 million (31 December 2011: €49,345 million) relate to credit

financing for retail customers and dealers and to finance leases.

**20 – Financial assets**

Financial assets comprise:

in € million	31.3.2012	31.12.2011
Derivative instruments	2,618	2,358
Marketable securities and investment funds	2,682	2,330
Loans to third parties	19	23
Credit card receivables	231	249
Other	485	493
<b>Financial assets</b>	<b>6,035</b>	<b>5,453</b>
thereof non-current	1,850	1,702
thereof current	4,185	3,751

The fair values of derivative instruments are computed using market information available at the end of the reporting period on the basis of prices quoted by the counterparties or using appropriate measurement methods, e.g. discounted cash flow models. The interest rates derived from interest-rate structures are adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument.

Derivative financial instruments are measured at their fair value. The fair values of derivative financial instru-

ments are determined using measurement models, as a consequence of which there is a risk that the amounts calculated could differ from realisable market prices on disposal. Observable financial market price spreads (e.g. for liquidity risks) are taken into account in the measurement of derivative financial instruments, thus helping to minimise differences between the carrying amounts of the instruments and the amounts that can be realised on the financial markets on the disposal of those instruments.

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## 21 – Income tax assets

Income tax assets totalling €1,328 million (31 December 2011: €1,194 million) include claims amounting to €951 million (31 December 2011: €872 million) which are

expected to be settled after more than twelve months. Some of the claims may be settled earlier than this depending on the timing of proceedings.

## 22 – Other assets

in € million	31.3.2012	31.12.2011
Other taxes	609	740
Receivables from subsidiaries	666	714
Receivables from other companies in which an investment is held	545	393
Prepayments	1,032	945
Collateral receivables	283	292
Sundry other assets	905	829
<b>Other assets</b>	<b>4,040</b>	<b>3,913</b>
thereof non-current	608	568
thereof current	3,432	3,345

## 23 – Inventories

Inventories comprise the following:

in € million	31.3.2012	31.12.2011
Raw materials and supplies	809	704
Work in progress, unbilled contracts	992	908
Finished goods and goods for resale	9,100	8,026
<b>Inventories</b>	<b>10,901</b>	<b>9,638</b>

## 24 – Equity

The Group Statement of Changes in Equity is shown on page 28 and 29.

### Number of shares issued

At 31 March 2012 common stock issued by BMW AG was divided, as at the end of the previous year, into 601,995,196 shares of common stock with a par-value of €1. Preferred stock issued by BMW AG was divided into 53,571,372 shares (31 December 2011: 53,163,372 shares) with a par-value of €1. 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 €0.02 per share.

The shareholders have passed a resolution at the Annual General Meeting authorising the Board of Management, with the approval of the Supervisory Board, to increase

the Company's share capital by up to €5 million prior to 13 May 2014 in return for cash contributions and the issue of new non-voting preferred stock. Based on this authorisation, 1,375,210 shares of preferred stock have been issued to employees up to the reporting date. Authorised Capital therefore stands at €3.6 million at 31 March 2012. The BMW Group did not hold any treasury shares at that date.

### Capital reserves

Capital reserves include premiums arising from the issue of shares and were unchanged from 31 December 2011 at €1,955 million.

### Revenue reserves

Revenue reserves comprise the post-acquisition and non-distributed earnings of consolidated companies, along with positive and negative goodwill arising on the



consolidation of Group companies prior to 31 December 1994. Revenue reserves decreased by €1,785 million as a result of the reclassification adjustment recorded in accordance with IAS 1.96 as at 1 January 2011 for actuarial gains and losses relating to defined benefit pension obligations, similar obligations and plan assets (and related deferred taxes). These amounts had previously been included in accumulated other equity.

#### Accumulated other equity

Accumulated other equity comprises all amounts recognised directly in equity resulting from the translation of

the financial statements of foreign subsidiaries, the effects of recognising changes in the fair value of derivative financial instruments and marketable securities directly in equity and the related deferred taxes recognised directly in equity.

#### Minority interests

Equity attributable to minority interests amounted to €65 million (31 December 2011: €65 million). This includes a minority interest of €7 million in the results for the period (31 December 2011: €26 million).

### 25 – Other provisions

Other provisions, at €6,531 million (31 December 2011: €6,253 million) primarily include employee and social-related obligations as well as obligations for ongoing operational expenses.

Current other provisions at 31 March 2012 amounted to €3,429 million (31 December 2011: €3,104 million).

### 26 – Income tax liabilities

Income tax liabilities totalling €1,440 million (31 December 2011: €1,363 million) include obligations amounting to €801 million (31 December 2011: €807 million) which are expected to be settled after more than twelve months. Some of the liabilities may be settled earlier than this depending on the timing of proceedings.

Current tax liabilities of €1,440 million (31 December 2011: €1,363 million) comprise €194 million (31 December 2011: €122 million) for taxes payable and €1,246 million (31 December 2011: €1,241 million) for tax provisions.

### 27 – Financial liabilities

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

in € million	31.3.2012	31.12.2011
Bonds	31,360	28,573
Liabilities to banks	8,569	8,398
Liabilities from customer deposits (banking)	13,153	12,041
Commercial paper	1,923	5,478
Asset backed financing transactions	8,662	9,385
Derivative instruments	1,770	2,479
Other	1,618	1,623
<b>Financial liabilities</b>	<b>67,055</b>	<b>67,977</b>
thereof non-current	39,911	37,597
thereof current	27,144	30,380

Information on the measurement of derivative instruments is provided in note 20.

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### 28 – Other liabilities

Other liabilities comprise the following items:

in € million	31.3.2012	31.12.2011
Other taxes	658	548
Social security	73	67
Advance payments from customers	761	1,858
Deposits received	253	231
Payables to subsidiaries	122	178
Payables to other companies in which an investment is held	6	25
Deferred income	4,137	4,068
Other	3,311	2,962
<b>Other liabilities</b>	<b>9,321</b>	<b>9,937</b>
thereof non-current	2,919	2,911
thereof current	6,402	7,026

### 29 – 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 Group 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 participations, joint ventures and individuals that have the ability to exercise significant influence over the financial and operating policies of the BMW Group. This also includes close relatives and intermediary entities. Significant influence over the financial and operating policies of the BMW Group is presumed when a party holds 20% or more of the voting power of BMW AG. In addition, the requirements contained in IAS 24 relating to key management personnel and close members of their families or intermediary entities are also applied. In the case of the BMW Group, this applies to members of the Board of Management and Supervisory Board.

For the first quarter 2012, the disclosure requirements contained in IAS 24 only affect the BMW Group with regard to business relationships with affiliated, non-consolidated entities, joint ventures and other equity

investments as well as with members of the Board of Management and Supervisory Board of BMW AG.

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

Transactions of BMW Group companies with the joint venture, BMW Brilliance Automotive Ltd., Shenyang, all arise in the normal course of business and are conducted on the basis of arm's length principles. Group companies sold goods and services to BMW Brilliance Automotive Ltd., Shenyang, during the first quarter 2012 for an amount of €648 million (2011: €388 million). At 31 March 2012, receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, amounted to €480 million (31 December 2011: €381 million). Payables of Group companies to BMW Brilliance Automotive Ltd., Shenyang, at 31 March 2012 amounted to €36 million (31 December 2011: €89 million). Group companies received goods and services from BMW Brilliance Automotive Ltd., Shenyang, during the first quarter for an amount of €3 million (2011: €– million).

All relationships of BMW Group entities with the joint ventures SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungen GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE, arise in the normal course of busi-

ness and are conducted on the basis of arm's length principles. At 31 March 2012 receivables of Group companies for loans disbursed to the joint ventures amounted to €60 million (2011: €61 million). Interest income earned on these intragroup loans in the first quarter 2012 amounted to €1 million (2011: €– million). Goods and services received by Group companies from the joint ventures during the quarter under report totalled €1 million (2011: €– million). At 31 March 2012 payables of Group companies to the joint ventures amounted to €1 million (31 December 2011: €1 million).

Transactions of BMW Group companies with the joint venture, BMW Peugeot Citroën Electrification B.V., The Hague, all arise in the normal course of business and are conducted on the basis of arm's length principles. At 31 March 2012 receivables of Group companies from BMW Peugeot Citroën Electrification B.V., The Hague, amounted to € 6 million (31 December 2011: €– million). Payables from the joint venture to Group companies amounted to € 4 million (31 December 2011: €– million). As in the previous year, there were no trading transactions between the BMW Group and the joint venture during the first quarter of the year.

All relationships of BMW Group entities with the joint ventures DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, are conducted on the basis of arm's length principles. Transactions with these entities arise in the normal course of business and are small in scale.

Business transactions between BMW Group entities and participations all arise in the normal course of business and are conducted on the basis of arm's length principles. With the exception of Cirquent GmbH, Munich, business relationships with such entities are on a small scale. In the first quarter 2012 Group entities purchased services and goods from Cirquent GmbH, Munich, amounting to €20 million (2011: €16 million). At 31 March 2012, payables of Group companies to Cirquent GmbH, Munich, totalled €5 million (31 December 2011: €24 million). Group entities had no receivables from Cirquent GmbH, Munich, either at 31 December 2011 or at 31 March 2012.

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 sub-

siidiaries, performed logistics services for the BMW Group during the first quarter 2012. In addition, companies of the DELTON Group acquired vehicles on the basis of arm's length principles from the BMW Group, mostly in the form of leasing contracts. These service and lease contracts, which are not material for the BMW Group, all arise in the normal course of business and are conducted on the basis of arm's length principles.

Susanne Klatten is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairman of the Supervisory Board of Altana AG, Wesel. Altana AG, Wesel, acquired vehicles from the BMW Group during the first quarter 2012, mostly in the form of lease contracts. These contracts are not material for the BMW Group, arise in the course of ordinary activities and are made, without exception, on the basis of arm's length principles.

Apart from the transactions referred to above, companies of the BMW Group did not enter into any contracts with members of the Board of Management or Supervisory Board of BMW AG. The same applies to close members of the families of those persons.

BMW Trust e.V., Munich, administers assets on a trustee basis to secure obligations relating to pensions and pre-retirement part-time work arrangements in Germany and is therefore a related party of the BMW Group in accordance with IAS 24. This entity, which is a registered association (eingetragener Verein) under German law, does not have any assets of its own. It did not have any income or expenses during the period under report. BMW AG bears expenses on a minor scale and renders services on behalf of BMW Trust e.V., Munich.

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## 29 – Explanatory notes to segment information

For information on the basis used for identifying and assessing the performance of reportable segments along internal management lines, reference is made to the Group Financial Statements of BMW AG for the year ended 31 December 2011. No changes have been made

either in the accounting policies applied or in the basis used for identifying reportable segments as compared to 31 December 2011.

Segment information by operating segment for the first quarter 2012 is as follows:

	Automotive		Motorcycles	
in € million	2012	2011	2012	2011
External revenues	13,447	11,898	441	392
Inter-segment revenues	2,712	2,475	7	5
<b>Total revenues</b>	<b>16,159</b>	<b>14,373</b>	<b>448</b>	<b>397</b>
Segment result	1,878	1,708	37	31
Capital expenditure on non-current assets	634	466	11	14
Depreciation and amortisation on non-current assets	854	868	13	16

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8. Segment information are not affected by this adjustment.

	Automotive		Motorcycles	
in € million	31.3.2012	31.12.2011	31.3.2012	31.12.2011
Segment assets	9,467	10,016	584	551

Segment figures for the first quarter can be reconciled to the corresponding Group figures as follows:

in € million	1st quarter 2012	1st quarter 2011*
Reconciliation of segment result		
— Total for reportable segments	2,328	2,144
— Financial result of Automotive segment and Motorcycles segment	-58	-104
— Elimination of inter-segment items	-194	-335
<b>Group profit before tax</b>	<b>2,076</b>	<b>1,705</b>
Reconciliation of capital expenditure on non-current assets		
— Total for reportable segments	4,212	3,255
— Elimination of inter-segment items	-795	-603
<b>Total Group capital expenditure on non-current assets</b>	<b>3,417</b>	<b>2,652</b>
Reconciliation of depreciation and amortisation on non-current assets		
— Total for reportable segments	2,416	2,021
— Elimination of inter-segment items	-630	-280
<b>Total Group depreciation and amortisation on non-current assets</b>	<b>1,786</b>	<b>1,741</b>

\* Adjusted for effect in accounting policy for leased products as described in note 3 in accordance with IAS 8. Segment information are not affected by this adjustment.

Financial Services		Other Entities		Reconciliation to Group figures		Group		
2012	2011	2012	2011	2012	2011*	2012	2011*	
4,405	3,747	-	-	-	-	18,293	16,037	External revenues
395	436	1	1	-3,115	-2,917	-	-	Inter-segment revenues
<b>4,800</b>	<b>4,183</b>	<b>1</b>	<b>1</b>	<b>-3,115</b>	<b>-2,917</b>	<b>18,293</b>	<b>16,037</b>	<b>Total revenues</b>
434	429	-21	-24	-252	-439	2,076	1,705	Segment result
3,567	2,775	-	-	-795	-603	3,417	2,652	Capital expenditure on non-current assets
1,549	1,137	-	-	-630	-280	1,786	1,741	Depreciation and amortisation on non-current assets

Financial Services		Other Entities		Reconciliation to Group figures		Group		
31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011	31.3.2012	31.12.2011	
7,375	7,169	47,250	47,875	60,588	57,818	125,264	123,429	Segment assets

in € million		31.3.2012	31.12.2011
Reconciliation of segment assets			
— Total for reportable segments		64,676	65,611
— Non-operating assets – Other Entities segment		6,147	6,045
— Operating liabilities – Financial Services segment		75,815	75,540
— Interest-bearing assets – Automotive and Motorcycles segments		33,871	32,584
— Liabilities of Automotive and Motorcycles segments not subject to interest		22,129	21,226
— Elimination of inter-segment items		-77,374	-77,577
<b>Total Group assets</b>		<b>125,264</b>	<b>123,429</b>

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		Quarterly Report to 30 June 2012	1 August 2012
4	<b>INTERIM GROUP MANAGEMENT REPORT</b>	Quarterly Report to 30 September 2012	6 November 2012
4	The BMW Group – an Overview	Annual Report 2012	19 March 2013
5	General Economic Environment	Annual Accounts Press Conference	19 March 2013
6	Automotive	Analyst and Investor Conference	20 March 2013
10	Motorcycles	Quarterly Report to 31 March 2013	2 May 2013
11	Financial Services	Annual General Meeting	14 May 2013
13	BMW Group – Capital Market Activities	Quarterly Report to 30 June 2013	1 August 2013
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**The BMW Group on the Internet**

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