Interim Report
to 31 March 2006

Q1

Rolls-Royce
Motor Cars Limited

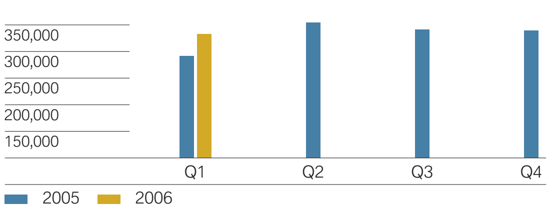
BMW Group

The BMW Group – an Overview

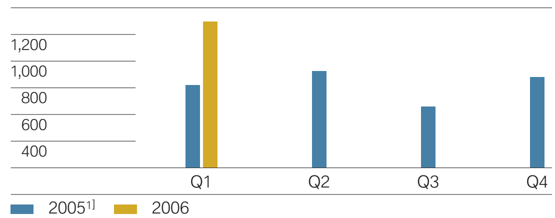
BMW Group in figures		1st quarter 2006	1st quarter 2005	Change in %
Vehicle production				
Automobiles	units	344,734	301,753	14.2
Motorcycles	units	29,540	25,980	13.7
Deliveries to customers				
Automobiles	units	332,923	292,207	13.9
Motorcycles	units	19,051	21,304	–10.6
Workforce at end of quarter		**106,179**	**106,033**	**0.1**
Cash flow[2]	euro million	**1,631**	**1,300**	**25.5**
Operating cash flow[1]	euro million	**1,221**	**1,116**	**9.4**
Revenues	euro million	**11,618**	**10,357**	**12.2**
Profit before tax[2][3]	euro million	**1,296**	**822**	**57.7**
Thereof:				
Automobiles[2]	euro million	761	710	7.2
Motorcycles	euro million	29	31	–6.5
Financial Services	euro million	173	150	15.3
Reconciliations[2]	euro million	333	–69	–
Income taxes	euro million	**–348**	**–297**	**17.2**
Net profit[2]	euro million	**948**	**525**	**80.6**
Earnings per share[2][4]	euro	**1.44/1.44**	**0.78/0.78**	**84.6/84.6**

1] In its Group financial statements for 2005, the BMW Group brought the cash flow computation into line with standards normally applied on the financial markets. In addition to the simplified definition of cash flow, as used to date, the BMW Group also discloses the figures for the cash flow from operating activities (operating cash flow), the latter corresponding to the cash flow from Industrial operations reported in the cash flow statement.
2] Previous year's figures adjusted for the new accounting treatment of pension obligations. A detailed analysis is provided in the Annual Report 2005.
3] Profit before tax includes a one-off gain of euro 375 million arising from the partial settlement of the exchangeable bond on Rolls-Royce plc shares.
4] for common/preferred stock in accordance with IAS 33. In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

Deliveries of automobiles
in units

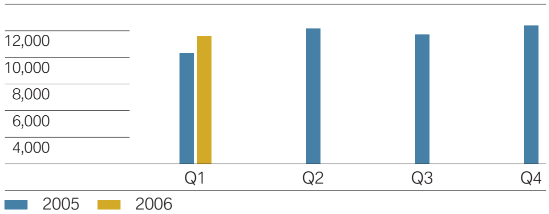


Profit before tax
in euro million



1] adjusted for new accounting treatment of pension obligations

Revenues
in euro million



BMW Group remains on successful course in the first quarter 2006

BMW Group's performance in the first quarter 2006 was characterised by a sharp increase in car sales volume. In particular, model life-cycle factors relating to the BMW brand had a positive impact on the sales volume of the Group. In total, 332,923 BMW, MINI and Rolls-Royce brand cars were delivered to customers, 13.9% more than in the same quarter last year. The BMW Group has never before sold so many cars in a first quarter.

By contrast, the number of motorcycles sold in the first three months of 2006 fell by 10.6% to 19,051 units. Sales volumes were held down above all by the unfavourable weather conditions affecting large parts of Europe.

The Financial Services segment continued to perform well. With a portfolio of 2,120,094 contracts, the number of lease and financing contracts in place with dealers and retail customers at the end of the first quarter 2006 was 11.9% higher than one year earlier.

Revenues and earnings increased

Group revenues for the quarter under report rose by 12.2% to euro 11,618 million, the highest level ever recorded by the BMW Group for a first quarter.

Group earnings also developed positively in the first quarter 2006 on the back of high sales volumes and the resulting increase in revenues. Whilst external factors, such as high raw material prices and unfavourable currency effects, continue to affect the earnings situation, the BMW Group continued the efficiency and productivity measures initiated in 2005, thus countering those adverse factors to a large degree. In addition, a one-off gain of euro 375 million arose in the first quarter 2006 from the partial settlement of the exchangeable bond on Rolls-Royce plc shares.

Overall, the group profit before tax for the first quarter 2006 was well ahead of the equivalent figure for the first quarter 2005. At euro 1,296 million, the profit before tax reached a new high level for a single quarter, increasing by 57.7% compared to the same quarter last year. Excluding the one-off gain on the settlement of the exchangeable bond, the profit before tax improved by 12.0% to euro 921 million, also well ahead of the previous year's comparable figure.

The group profit after tax was euro 948 million, an 80.6% improvement over the same quarter last year. The gain on the exchangeable bond settlement had a more pronounced impact at this level since it did not give rise to a tax expense.

Number of jobs remains virtually unchanged

The BMW Group had a worldwide workforce of 106,179 employees at the end of the first quarter 2006, slightly higher (+0.4%) than at the end of 2005 and virtually unchanged (+0.1%) from one year earlier.

Model range expanded further

With the Z4 Coupé and the Z4 M Coupé, the BMW Group will be adding two particularly dynamic and sporty cars to its product range from June 2006 onwards. The successor to the BMW 3 Series Coupé will also be introduced on the markets from September 2006 onwards. In addition, from 2008 onwards, two completely new BMW brand series will be introduced, as already announced, and establish premium segments in their own right.

The MINI brand product range will be expanded within the next three years by a new model with greater functionality and a more spacious interior, as shown already with the imaginative concepts presented at the car shows in Frankfurt, Tokyo and Detroit.

Preparations are underway for a Rolls-Royce Convertible which will extend the range of cars offered by Rolls-Royce Motor Cars in the super-luxury segment.

World economy in good shape

The world economy continues to be in good shape and will grow in 2006 at a similar rate to the previous year. The USA and the emerging Asian economies will stimulate growth despite interest rate increases. On top of this, the economic outlook for Japan and Europe is also brightening. Developments on the raw material markets still pose a risk, even though the global economy has stood up robustly to price increases so far. In the euro region, a further increase in value of the euro also poses a risk to business.

International automobile markets performing inconsistently

The traditional car markets (USA, Japan and Western Europe) stagnated in 2005. The situation for 2006 looks similar, with only the Japanese car market growing marginally. Within Western Europe, the German market grew in 2005 at a low rate; further growth is expected in 2006. By contrast, growth in Asia and Latin America remains strong, albeit no longer with the dynamic growth rates recorded in previous years.

Outlook unchanged

For the full year 2006, the BMW Group expects that business will continue to develop positively.

The total number of cars sold in 2006 is expected to reach a new high level. However, model life-cycle factors mean that business will develop at a more moderate pace as the year progresses.

As far as the motorcycles business is concerned, the BMW Group remains positive in its overall assessment, and anticipates that the shortfall in sales volume recorded in the first quarter 2006 will be recovered over the course of the year, and that the sales volume for the full year will be higher than in 2005.

The Financial Services segment will also continue to grow; here too, it must be assumed that earnings will increase more moderately than in the previous year, partly as a result of the developments in interest rates.

External factors will continue to affect the BMW Group's earnings in 2006. Currency factors and high raw material prices will have a negative impact particularly on the Automobile segment. Although these factors will not hold down reported results as much as in 2005, the BMW Group will nevertheless still be adversely affected by them in 2006. This is partly due to the fact that hedging rates for the US dollar and the Japanese yen are less favourable than in the previous year. The two factors mentioned above will affect earnings mainly in the first half of the year.

The group profit before tax will benefit, by contrast, in 2006 from the one-off gain arising on the settlement of the exchangeable bond on Rolls-Royce plc shares and reported as part of the Reconciliations segment. In previous periods, corresponding losses were recognised on the fair value measurement of the option.

Based on the assumption that all segments will continue to develop favourably, the BMW Group confirms its aim to achieve a group profit before tax of euro 4 billion for the financial year 2006. Even excluding the gain on the settlement of the exchangeable bond, the profit before tax should still exceed the amount reported for 2005.

The BMW Group aims to remain on its profitable growth course in the coming years and to generate returns which are above-average for the sector.

Sharp increase in sales volume in the first quarter

With 332,923 vehicles sold, total sales volume of the BMW Group for the first quarter 2006 surpassed the previous year's equivalent figure by 13.9%. The BMW brand recorded a sharp increase in sales volume; the number of vehicles sold during the first three months of 2006 rose to 283,297 units, 18.3% more than in the same quarter last year. Measures taken to expand production capacities at the Oxford plant resulted in restricted availability of the MINI brand during the first quarter 2006, reflected by a 6.0% reduction in sales volume; in total, 49,519 MINI brand cars were sold during the first quarter 2006. During the same period, 107 Rolls-Royce Phantoms were handed over to customers, 19 vehicles (–15.1%) fewer than in the previous year.

Sales volume of the BMW Group well above previous year's levels in almost all markets

The number of cars sold by the BMW Group in North America during the first quarter 2006 increased by 10.7% to 77,102 units. With 72,622 units, the majority was sold in the USA, where the increase was 10.7% compared to the same quarter last year.

The BMW Group sold 203,359 vehicles in Europe from January to March 2006, 12.3% more than in the same quarter last year. In Germany, BMW Group's largest single market in Europe, 72,559 vehicles were sold during the first quarter 2006, 10.5% ahead of the figure for the first quarter 2005. The second largest market for the BMW Group in Europe is the United Kingdom, where 36,594 vehicles were sold in the first quarter 2006, practically unchanged from the previous year (–0.8%).

The BMW Group was able to record sharp increases in the remaining European countries. In Italy, for example, the number of cars sold during the first quarter 2006 was up by 16.0% to 25,749 units. Sales volume grew in Spain by 17.8% to 15,338 units and in France by 8.3% to 12,519 units. Particularly pronounced growth was achieved in Belgium (together with Luxembourg) where the number of vehicles sold rose by 55.4% to 9,249.

During the first three months of 2006, the sales volume of the BMW Group increased in the Asian region by 21.8% to 32,223 units. Japan remains the strongest individual market for the BMW Group in the Asian region with a sales volume of 14,974 vehicles, an increase of 9.0% compared to the first quarter 2005.

The sales volume increase on the Chinese markets (China, Hong Kong and Taiwan), where 9,930 vehicles were delivered to customers during the first quarter 2006, was 64.0%. This sharp increase over the same quarter last year was attributable partly to the doubling in size of the sales network during 2005 to a current total of 60 dealerships and to the transfer of import business to a newly incorporated sales company. The Chinese market has also recovered from economic measures, imposed to cool down the economy, which had resulted in a dip in car sales up to the middle of 2005.

Automobile		1st quarter 2006	1st quarter 2005	Change in %
Production	units	344,734	301,753	14.2
Deliveries to customers	units	332,923	292,207	13.9
Revenues	euro million	11,231	9,954	12.8
Profit before tax[1]	euro million	761	710	7.2
Workforce at end of quarter		98,495	98,987	– 0.5

1] Previous year's figures adjusted for new accounting treatment of pension obligations.

Strong sales volume growth for the BMW brand
There have never been as many BMW brand cars sold in the first three months of a year as in 2006; compared to the previous year, the sales volume rose by 18.3% to 283,297 units.

In total, 37,611 BMW 1 Series vehicles were sold during the first quarter 2006, 4.4% more than the high level achieved in the previous year.

122,691 BMW 3 Series vehicles were delivered to customers worldwide in the period from January to March 2006, 54.3% more than in the previous year. This strong growth was attributable to particularly strong demand for the BMW 3 Series Sedan and for the BMW 3 Series Touring following the model change. Both models were introduced to the markets during the course of 2005 and are now available to customers worldwide. 84,739 BMW 3 Series Sedans (+88.2%) and 26,096 BMW 3 Series Touring cars (+72.2%) were sold during the first quarter 2006, of which 954 and 943 respectively were predecessor models. During the same period, 5,785 BMW 3 Series Coupés (–33.4%) and 5,951 BMW 3 Series Convertibles (–19.4%) were delivered to customers.

In total, 57,837 units of the BMW 5 Series were sold during the first quarter 2006, 6.6% more than in the same quarter last year. Compared to that quarter, sales of the BMW 5 Series Sedan went up by 5.5% to 44,469 units and sales of the BMW 5 Series Touring rose by 10.7% to 13,368 units.

5,109 BMW 6 Series vehicles were sold from January to March 2006, 1.5% fewer than in the first quarter 2005. This figure comprised 2,755 BMW 6 Series Coupés (+2.0%) and 2,354 BMW 6 Series Convertibles (–5.2%).

Demand for the BMW 7 Series was very encouraging: during the first quarter 2006, the sales volume of this series increased by 46.1% to 11,727 units. This sharp increase is a clear sign of how well the revised model has been received. The revised version, which includes new engines and various optical refinements, has been available on the market since April 2005.

Sales of the Sports Activity Vehicle BMW X3 in the first three months of 2006, at 25,175 units, were down 8.6% compared to the very high level generated in the first quarter 2005 which had been the result of the introduction of additional model variants.

The BMW X5 continued to perform well again in the seventh year since market launch, with 19,913 units (–12.4%) sold during the first quarter 2006. Since market launch, more than 550,000 BMW X5 vehicles have been delivered to customers worldwide.

3,225 BMW Z4 Roadsters (–46.9%) were sold during the first quarter 2006. The revised BMW Z4 Roadster became available on the markets in March 2006. The fresh look and new engines given to the Roadster and the new Z4 M Roadster model, which is particularly powerful and sporty, give good reason to believe that demand will pick up again. Market introduction of the new BMW Z4 Coupé and BMW Z4 M Coupé, the latter a two-seater sports car with particularly dynamic driving qualities, will follow from June 2006 onwards.

Capacity expansion measures at the Oxford plant hold down sales volume
Due to the measures taken to expand production capacities at the Oxford plant, production was interrupted in the period from mid-December 2005 to mid-January 2006. These measures will enable annual capacity to be increased in the medium-term to approximately 240,000 units, reflecting the ongoing success of the MINI brand. The annual production capacity envisaged for the Oxford plant was originally 100,000 units.

Due to the break in production, the total number of MINI brand cars sold from January to March 2006 was down by 6.0% to 49,519 units, comprising 39,873 units of the MINI and 9,646 units of the MINI Convertible.

The MINI brand (including the MINI Convertible) continues to generate a very high-value product mix: 15,147 or 30.6% of customers opted for the starter model, Mini One (including MINI One D) and

20,155 (40.7%) for the MINI Cooper during the period from January to March. Almost one third of buyers (14,217 units, 28.7%) opted for the MINI Cooper S, the model with the most powerful engine.

Rolls-Royce Phantom with extended wheelbase available in the Americas region and Europe
The Rolls-Royce Phantom remains the world's most successful limousine in the super-luxury segment. 107 Rolls-Royce Phantom were sold in the period from January to March 2006, 19 cars or 15.1% fewer than in the same quarter last year.

The extended wheelbase version of the Rolls-Royce Phantom was initially introduced on the markets in 2005 in the Middle East and the Asia/Pacific regions. It will become available in the Americas region during the course of 2006; market introduction in Europe is also planned for 2006.

Sharp increase in BMW Group vehicle production volume
The BMW Group manufactured a total of 344,734 vehicles during the first quarter 2006, up 14.2% compared to the previous year.

This included 300,799 BMW brand vehicles, 19.5% more than in the same quarter last year. Despite the break in production at the Oxford plant due to the capacity expansion measures, a production volume of 43,775 MINI cars (–12.3%) was achieved during the first quarter 2006. During the same period, 160 Rolls-Royce Phantoms were manufactured at the Goodwood plant in England, compared to 133 units in the first quarter 2005 (+20.3%).

Revenues and earnings of the Automobiles segment increased
Segment revenues rose in the quarter under report to euro 11,231 million, an increase of 12.8% compared to the first quarter 2005.

Segment profit before tax for the first quarter 2006 improved by 7.2% to euro 761 million. In particular, high raw material prices and currency factors continued to have a negative impact in this segment.

Workforce of Automobiles segment down slightly
At the end of the first quarter 2006, the Automobiles segment had 98,495 employees, down 0.5% compared to one year earlier.

Motorcycles

Seasonal fluctuations adversely affect motorcycle sales volumes

As has been the case for a number of years now, the international motorcycle markets again performed inconsistently in the first quarter of the year. Unfavourable weather conditions across large areas of Europe during the period held down the sales volume of the Motorcycles segment. In total, 19,051 BMW motorcycles were handed over to customers during the first quarter 2006, representing a sales volume decrease of 10.6%.

The BMW Group sold 14,185 BMW motorcycles in Europe, 12.8% fewer than in the same quarter last year. Whereas the number of motorcycles sold in Spain (1,815 units, +15.3%) and Italy (3,667 units, +16.8%) grew at double-digit rates, sales volumes on the remaining major European markets fell short of those recorded in the same quarter last year. In Germany, the largest market for BMW motorcycles, the sales volume, at 3,817 units, was 30.9% below the previous year's figure. The unfavourable weather conditions here had a particularly adverse impact on sales volume. Nevertheless, the BMW Group was once again able to defend its leading position in the 750 cc plus class.

The sales volume in the USA in the first quarter 2006 fell by 9.6% to 2,304 units.

A sharp sales volume increase was recorded again in South Africa: 702 BMW motorcycles were sold there in the first quarter 2006, 57.0% more than in the same quarter last year.

The BMW Group still considers that it will be able to achieve the targets set at the beginning of the year for the motorcycle business, thus improving on the sales volume, revenues and earnings figures achieved in the previous year. 2006 will be dominated by the segment's product initiative, with numerous new products being presented over the course of the year. Three new BMW motorcycles – the long-distance enduro R 1200 GS Adventure, the long-distance K 1200 GT tourer and the R 1200 S sport boxer – made their debut during the first quarter 2006. From the middle of 2006 onwards, customers will be able to buy the new F 800 S, or its offshoot, the F 800 ST sport tourer. Alongside the well-established single-cylinder, Boxer and four-cylinder models, these new motorcycles enhance BMW's motorcycle range within the highly competitive middle class with a parallel-twin engine.

Best-selling model R 1200 GS

As in previous quarters, the R 1200 GS (including the Adventure version) heads the sales volume list, with 6,046 units sold in the first quarter 2006. This is followed by the F 650 GS (including the Dakar version) with 2,834 units sold and by the R 1200 RT, with 2,673 units sold.

Largest BMW motorcycle centre in the world opened

At the end of March 2006, the BMW Munich branch opened the largest BMW motorcycle centre in the

Motorcycles		1st quarter 2006	1st quarter 2005	Change in %
Production	units	29,540	25,980	13.7
Deliveries to customers	units	19,051	21,304	– 10.6
Revenues	euro million	313	318	– 1.6
Profit before tax	euro million	29	31	– 6.5
Workforce at end of quarter		2,833	2,892	– 2.0

world, covering approximately 8,000 square metres. The BMW Group invested some euro 5.6 million in the necessary refurbishment measures. The full range of models, in their various colours and versions, can now be viewed in showrooms covering 3,000 square metres.

Motorcycle production well ahead of previous year's volume

29,540 BMW motorcycles were manufactured at the Berlin plant during the first quarter 2006, an increase of 13.7% compared to the same quarter last year. This was largely attributable to the initial supply of the new R 1200 GS Adventure, R 1200 S, K 1200 GT and F 800 S models to dealerships.

Following the start of production of the new F 800 S, four model series are being manufactured in Berlin from March onwards.

Revenues and earnings of the Motorcycle segment

Revenues of the Motorcycles segment decreased only slightly despite the drop in sales volume. At euro 313 million, revenues were only 1.6% below the figure recorded for the same quarter last year. One factor here was the higher-value product mix compared to the previous year, brought about by the K 1200 R and R 1200 RT models, introduced in conjunction with the segment's product initiative.

Segment profit before tax amounted to euro 29 million and was therefore 6.5% below the figure recorded in the same quarter last year.

Workforce slightly lower

The Motorcycles segment had a workforce of 2,833 employees at 31 March 2006, 2.0% fewer than one year earlier.

Financial Services

Financial services business remains on growth course

The BMW Group's financial services business continued to grow in the first quarter 2006, thus keeping up the positive trend recorded in recent years. Compared to one year earlier, the business volume of the segment in balance sheet terms rose by 19.5 % to euro 40,796 million. The number of lease and financing contracts in place with retail customers and dealers at 31 March 2006 totalled 2,120,094 contracts, an increase of 11.9 % compared to one year earlier. The proportion of new cars of the BMW Group leased or financed by the Financial Services segment during the first quarter 2006 was 41.5 %; this was 0.8 percentage points below the high level recorded for the first quarter 2005.

Strong growth in retail customer business

216,584 new contracts were signed worldwide during the first quarter 2006, 9.0 % more than in the previous year. Credit financing in particular contributed to this growth, with an 11.3 % increase in the number of contracts signed; lease business grew by 5.5 % compared to the same quarter last year. Lease and credit financing accounted for 37.2 % and 62.8 % of total new business, only marginally changed from the first quarter 2005.

In the area of used car financing, the number of new contracts increased by 7.2 %. The number of used BMW cars covered by used car financing contracts increased by 8.8 % to 61,118.

The overall volume of new contracts signed with retail customers during the first quarter 2006 totalled euro 5,949 million, surpassing the previous year's equivalent figure by 16.4 %.

The segment's portfolio of 1,936,101 contracts reflects the positive development of retail customer business: compared to one year earlier, the portfolio grew by 12.4 %. Growth was spread across all regions: the number of retail customer contracts in Germany increased by 12.5 %, whilst the remaining European markets and the East-Asia region grew by 16.1 % and 12.4 % respectively. The Americas region, with 632,983 contracts, still has the largest contract portfolio: the increase compared to one year earlier was 9.5 %.

Dealer financing continues to grow

The range of services offered in conjunction with dealer financing enables the Financial Services segment to make an important contribution towards supporting the BMW Group's dealer organisation. The total volume of dealer financing managed by the Financial Services segment at the end of the first quarter 2006 stood at euro 6,845 million, 17.9 % higher than one year earlier.

Sharp increase in fleet business contract portfolio

The number of contracts for fleet business again rose at an exceptionally fast rate during the first quarter 2006: the increase compared to the end

Financial Services		1st quarter 2006	1st quarter 2005	Change in %
New contracts with retail customers		216,584	198,634	9.0
Business volume[1]	euro million	40,796	34,134	19.5
Revenues	euro million	2,738	2,135	28.2
Profit before tax	euro million	173	150	15.3
Workforce at end of quarter		3,234	2,944	9.9

1] leased products plus receivables from sales financing (per Group balance sheet) of the same quarter last year was 36.0 %. 148,969 contracts were in place at the end of the quarter under report.

Banking products still in great demand
The total number of customer deposit accounts rose sharply by 41.1 % to stand at 538,170 accounts at 31 March 2006. The managed volume at that date increased to euro 6,358 million, thus surpassing the volume at the end of the first quarter 2005 by 17.5 %. As in the previous year, the continuous inflow of deposit funds, influenced by the competitive terms and conditions offered by the segment for online deposits and online saving accounts in Germany, had a positive impact.

Compared to the same quarter last year, the number of custodian accounts rose by 33.7 % to 28,803 accounts. The net cash inflow across all investment funds offered by the segment also went up by 52.0 % in the first quarter 2006 to euro 43.7 million.

Insurance business steadily expanding
501,562 insurance contracts were in place at the end of the first quarter 2006, 30.3 % more than one year earlier. The segment was thus able to continue the good progress made with insurance business.

Sharp rise in earnings
The segment profit before tax for the first quarter 2006, at euro 173 million, was 15.3 % higher than the result posted for the same quarter last year.

Increase in workforce compared to previous year
The workforce of the Financial Services segment increased again during the first three months of 2006. The segment had 3,234 employees at 31 March 2006, 9.9 % more than one year earlier.

BMW stock in the first quarter 2006

The situation on the stock markets during the first quarter 2006 was shaped in particular by the fact that raw material prices more or less stopped rising and by the fact that changes in the US dollar/euro exchange rate only had a relatively small impact. The US dollar exchange rate fluctuated during the first quarter 2006 between US dollar 1.18 to US dollar 1.23 for one euro.

Against this backdrop, share prices of export-orientated automobile manufacturers performed well during the quarter. The DAX's performance, whilst only partially reflecting this, was nevertheless able to move well ahead of its level at the end of 2005. The DAX, the main index for German stocks, closed on 31 March 2006 at 5,970.08 points, at that stage reaching its high mark for the quarter: this was 561.82 points or 10.4 % above the closing level at 31 December 2005.

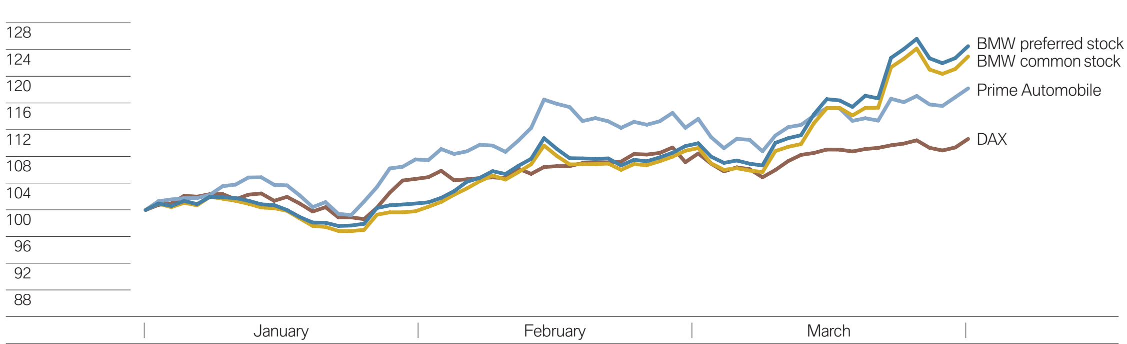
The Prime Automobile Performance Index increased sharply during the first quarter 2006, closing on 31 March 2006 at 534.40 points. This represents an increase of 17.9 % during the first quarter 2006. The sector index for German automobile stocks thus outperformed the market as a whole.

The price of BMW AG stock contributed to this favourable development in the first quarter 2006. In particular after publication of the 2005 financial statements in March, the price of BMW stock rose faster than the market as a whole and faster than the sector index. BMW common stock thus outperformed the market as a whole and also the Prime Automobile Performance Index, closing at euro 45.45 at 31 March 2006, euro 8.40 or 22.7 % ahead of its price at the end of 2005. BMW preferred stock performed even better, rising by euro 8.08 by comparison to its price at the end of the final day of trading in 2005. This represents a 24.5 % increase in value during the quarter under report. Both stocks therefore were at the forefront of the automobile sector in terms of share price performance during the first quarter 2006.

Programme to buy back shares of common stock

Following on from the authorisation given by the shareholders at the Annual General Meeting on 12 May 2005, the Board of Management of BMW AG resolved on 20 September 2005 to put a programme in place to buy back shares via the stock exchange. 20,232,722 shares of common stock (i.e. 3 % of BMW AG's share capital) were bought back at an average price of euro 37.47. This transaction was completed during the first quarter 2006, and the bought-back shares were withdrawn from circulation in accordance with a resolution taken by the Board of Management on 21 February 2006.

Development of BMW common and preferred stock compared to stock exchange indices
(Index: 30 December 2005 = 100)



The buy-back was executed under the leadership of a number of securities houses or banks, which were able to determine the timing of individual buy-backs independently of, and uninfluenced by, BMW AG.

In the meantime, the Board of Management and the Supervisory Board of BMW AG have decided to put forward a resolution at the Annual General Meeting to be held on 16 May 2006 to obtain a renewed authorisation to buy back of up to 10 % of the Company's share capital. It has not yet been decided whether or the extent to which the authorisation will be applied to buy back further shares.

Buy-back of preferred stock for employee share scheme

BMW AG has allowed employees to participate in its success for more than 30 years now. Since 1989, this participation has been in the form of an employee share scheme. The Board of Management of BMW AG has decided to continue this scheme in 2006. In order to be able to settle the subsequent issue of shares to employees, it is planned to acquire 1.5 million preferred shares via the stock exchange. The shares will be acquired, as previously, with the aid of a securities house or bank, which will decide the timing of individual buy-backs independently of, and uninfluenced by, BMW AG.

Further information will be made known under www.bmwgroup.com/ir; the progress of the buy-back programme is reported there on a regular basis.

Analysis of the Interim Group Financial Statements

Earnings performance

The good operating performance in the first quarter was further influenced by a positive exceptional item. In conjunction with the exchangeable bond on shares in Rolls-Royce plc, London, held by the BMW Group, approximately 80% of the bond was settled up to 31 March 2006 by delivery of shares. This gave rise to a one-off gain of euro 375 million, which is reported as part of the financial result. The gain has no tax impact. In previous periods, corresponding losses were recognised on the fair value measurement of the option.

Group revenues for the quarter increased by 12.2% to euro 11,618 million. Excluding the effect of currency fluctuations, the increase would have been 9.4%. Within group revenues, external revenues of the Automobiles and Financial Services segments were 8.2% and 31.3% ahead of the first quarter 2005 respectively. External revenues of the Motorcycles segment fell marginally by 2.2% compared to the previous year. Revenues from other activities of the Group amounted to euro 43 million and related mainly to the softlab Group. The comparable figure for the first quarter 2005 was euro 22 million.

Cost of sales amounted to euro 9,047 million, the increase being 2.2 percentage points higher than the increase in revenues. This was largely attributable to additional negative currency effects, which, unlike in the previous year, impact earnings particularly strongly in the first half of the year. The gross profit increased in absolute terms by 4.9% to euro 2,571 million. The gross profit percentage was 22.1% (first quarter 2005: 23.7%). The gross profit of Industrial operations decreased by 2.0 percentage points to 20.2% as a result of the adverse factors discussed above and that of Financial operations fell by 3.2 percentage points to 10.0%.

Sales and administrative costs increased by 4.1% compared to the corresponding period last year as a result of increased business volumes and represented 9.9% (first quarter 2005: 10.7%) of revenues.

Research and development costs increased by 2.0% compared to the first quarter 2005. This represents 5.2% (first quarter 2005: 5.8%) of revenues. Research and development costs include amortisation of capitalised development costs amounting to euro 178 million (first quarter 2005: euro 168 million). Total research and development costs for the first quarter 2006 amounted to euro 702 million (first quarter 2005: euro 643 million). This figure comprises research costs, development costs not recognised as assets and capitalised development costs. For the first quarter 2006, this gives a research and development expenditure ratio of 6.0% (first quarter 2005: 6.2%).

Depreciation and amortisation included in cost of sales, sales and administrative costs and research and development costs amounted to euro 725 million (first quarter 2005: euro 713 million).

The positive net amount from other operating income and expenses, at euro 83 million, was practically unchanged from the previous year (first quarter 2005: euro 89 million).

The financial result for the first quarter 2006 improved by euro 416 million compared to the same quarter last year. This includes the one-off gain of euro 375 million arising on the partial settlement of the exchangeable bond on Rolls-Royce plc shares. This gain is reported for the most part in other financial result and also in net interest result. Within the financial result, the net positive result from investments decreased by euro 11 million.

Excluding the exceptional gain of approximately euro 375 million arising on the partial settlement of

Revenues by segment in the 1st quarter in euro million	Revenues with third parties 2006	2005	Revenues with other segments 2006	2005	Total revenues 2006	2005
Automobiles	8,855	8,183	2,376	1,771	11,231	9,954
Motorcycles	310	317	3	1	313	318
Financial Services	2,410	1,835	328	300	2,738	2,135
Reconciliations	43	22	–2,707	–2,072	–2,664	–2,050
Group	**11,618**	**10,357**	**0**	**0**	**11,618**	**10,357**

Profit before tax by segment in euro million	1st quarter 2006	1st quarter 2005
Automobiles [1]	761	710
Motorcycles	29	31
Financial Services	173	150
Reconciliations [1]	333	– 69
Profit before tax [1]	**1,296**	**822**
Income taxes	– 348	– 297
Net profit	**948**	**525**

1] Previous year's figures adjusted for new accounting treatment of pension obligations.

the exchangeable bond on Rolls-Royce plc shares, the profit before tax increased by 12.0 % compared to the same quarter last year. The income tax expense increased by euro 51 million. As a result of the fact that the gain arising on the partial settlement of the exchangeable bond is tax-exempt, the effective tax rate for the first quarter was 26.9 % (first quarter 2005: 36.1 %). The BMW Group therefore generated a net profit of euro 948 million for the first quarter 2006, euro 423 million or 80.6 % more than for the first quarter 2005. Excluding the gain on the partial settlement of the exchangeable bond, the post-tax return on sales was 4.9 % (first quarter 2005: 5.1 %).

Earnings per share of common stock and preferred stock for the first quarter 2006 amounted to euro 1.44 (first quarter 2005: euro 0.78).

Earnings performance by segment

Revenues of the Automobiles segment for the first quarter 2006 increased by 12.8 %, and the segment profit before tax increased by 7.2 % despite the external factors described above.

Revenues of the Motorcycles segment for the first quarter 2006 fell by 1.6 %. The segment profit before tax was euro 29 million, euro 2 million lower than in the same quarter last year.

Revenues of the Financial Services segment for the first quarter 2006 increased by 28.2 %. As a result of the higher business volume, the segment profit before tax was up 15.3 % compared to the figure reported for the first quarter 2005.

Reconciliations to the Group profit from ordinary activities were positive in the first quarter 2006 (net income of euro 333 million), representing an improvement of euro 402 million compared to the same quarter last year. This was largely due to the gain arising on the partial settlement of the exchangeable bond on Rolls-Royce plc shares held by the BMW Group.

Financial position

The cash flow statements of the BMW Group and its sub-groups show the sources and applications of cash flows for the first quarter of the financial years 2005 and 2006, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statement correspond to those disclosed in the balance sheet.

The cash inflow from operating activities in the first quarter 2006 increased by euro 139 million to euro 2,473 million (first quarter 2005: euro 2,334 million).

The cash outflow for investing activities for the first quarter, at euro 2,377 million, was euro 143 million lower than in the previous year. This was due primarily to lower cash outflows for securities purchases. Capital expenditure for intangible assets and property, plant and equipment resulted in the cash outflow for investing activities increasing by euro 92 million compared to the first quarter 2005. Cash outflow in conjunction with the net investment in leased products and receivables from sales financing increased by euro 12 million. 104.0 % (first quarter 2005: 92.6 %) of the cash outflow for investing activities was covered by the cash inflow from operating activities. The sub-group cash flow statement for Industrial operations shows a significantly greater coverage, namely 166.3% (first quarter 2005: 145.9%). As expected, the cash flow statement of the financial operations sub-group shows that cash inflow from operating activities does not cover cash outflow for investing activities due to the high level of capital expenditure on leased products and receivables from sales financing.

Cash inflow from financing activities includes inflows of euro 959 million from bond issues (first quarter 2005: euro 1,035 million) and outflows from repayments of euro 964 million (first quarter 2005: euro 840 million). The cash outflow of euro 424 million from financing activities during the first quarter 2006 was attributable primarily to the buy-back of BMW AG shares.

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group, the various cash flows resulted in an increase in cash and cash equivalents of euro 354 million (first quarter 2005: decrease of euro 86 million).

Net interest-bearing assets relating to Industrial operations (including receivables from the Financial operations sub-group) amounted to euro 5,702 million at 31 March 2006. This represents an increase of euro 825 million since 31 December 2005. Net interest-bearing assets relating to Industrial operations comprise cash and cash equivalents (euro 1,599 million), marketable securities relating to Industrial operations (euro 1,870 million) and receivables from the Financial operations sub-group (euro 3,638 million) less financial liabilities relating to Industrial operations. Excluding interest and currency derivatives, the latter amounts to euro 1,405 million.

Net assets position

The balance sheet total of the BMW Group increased slightly by 1.0% or euro 710 million compared to 31 December 2005.

The main factors behind the increase on the assets side of the balance sheet were cash and cash equivalents (+21.8%), inventories (+12.3%) and leased products (+3.9%). In the opposite direction, other investments fell by 63.8%. On the equity and liabilities side of the balance sheet, the increase was due to the increase in trade payables (+10.7%) and other liabilities (+17.9%).

Investments decreased mainly as a result of the partial settlement of the exchangeable bond on Rolls-Royce plc shares. The market price of Rolls-Royce plc shares increased during the quarter to 31 March 2006. The value of the remaining investment in Rolls-Royce plc, London, increased by euro 11 million during the first quarter 2006. The increase has been recognised directly in other accumulated equity.

Leased products increased by euro 446 million. Excluding the effect of currency fluctuations, the increase would have been euro 226 million higher.

Group equity increased primarily as a result of the net profit for the quarter. Within group equity, accumulated other equity decreased by euro 409 million. This decrease was due to the euro 360 million reduction in fair value gains on securities, mainly as a result of the partial settlement of the exchangeable bond on Rolls-Royce plc shares. Working in the opposite direction, fair value losses on derivative financial instruments increased slightly by euro 31 million; in addition, translation differences reduced other accumulated equity by euro 80 million.

Shares of common stock equivalent to 3% of the share capital of BMW AG were acquired and withdrawn from circulation up to 31 March 2006 in conjunction with the share buy-back programme.

The equity ratio of the BMW Group improved overall by 0.1 percentage points to 22.9%. The equity ratio for Industrial operations was 38.1% (31 December 2005: 39.1%) and that for Financial operations was 10.5% (31 December 2005: 10.4%).

Other provisions amounted to euro 5,949 million, similar to the level at 31 December 2005. Financial liabilities went down during the quarter by euro 1,139 million, mainly as a result of the lower level of bonds, interest rate and currency derivatives and commercial papers.

Other liabilities, at euro 6,175 million were euro 939 million higher than at 31 December 2005, mainly as a result of accrued and deferred items.

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

in euro million	Notes	Group		Industrial operations [1]		Financial operations [1]	
		2006	2005 [2]	2006	2005 [2]	2006	2005 [2]
Revenues	[5]	11,618	10,357	11,588	10,294	2,824	2,267
Cost of sales	[6]	–9,047	–7,907	–9,252	–8,012	–2,541	–1,967
Gross profit		**2,571**	**2,450**	**2,336**	**2,282**	**283**	**300**
Sales and administrative costs	[7]	–1,156	–1,111	–1,036	–1,009	–124	–107
Research and development costs	[8]	–609	–597	–609	–597	–	–
Other operating income	[9]	198	186	158	164	49	24
Other operating expenses	[9]	–115	–97	–97	–88	–29	–17
Profit before financial result		**889**	**831**	**752**	**752**	**179**	**200**
Financial result	[10]	407	–9	418	–19	24	22
Profit before tax		**1,296**	**822**	**1,170**	**733**	**203**	**222**
Income taxes	[11]	–348	–297	–306	–275	–66	–76
Net profit		**948**	**525**	**864**	**458**	**137**	**146**
Profit attributable to minority interest		1	–	1	–	–	–
Profit attributable to shareholders of BMW AG		947	525	863	458	137	146
Earnings per share of common stock in euro	[12]	1.44	0.78				
Earnings per share of preferred stock[3] in euro	[12]	1.44	0.78				

1] before consolidation of transactions between the sub-groups
2] adjusted figures
3] In computing earnings per share of preferred stock, earnings to cover the additional dividend of euro 0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.

BMW Group
Group and sub-group Balance Sheets

Assets in euro million	Notes	Group 31.3.2006	 31.12.2005	Industrial operations[1] 31.3.2006	 31.12.2005	Financial operations[1] 31.3.2006	 31.12.2005
Intangible assets	[13]	4,696	4,593	4,669	4,569	27	24
Property, plant and equipment	[14]	10,919	11,087	10,891	11,060	28	27
Leased products	[15]	11,821	11,375	253	230	14,557	14,110
Investments accounted for using the equity method	[16]	94	94	94	94	–	–
Other investments	[16]	426	1,178	357	1,147	69	31
Receivables from sales financing	[17]	16,882	17,202	–	–	16,882	17,202
Financial assets	[18]	611	642	148	126	463	516
Deferred tax	[19]	763	772	1,096	1,144	–1,662	–1,674
Other assets	[20]	465	613	1,063	908	229	273
Non-current assets		**46,677**	**47,556**	**18,571**	**19,278**	**30,593**	**30,509**
Inventories	[21]	7,331	6,527	7,325	6,521	6	6
Trade receivables		2,221	2,135	2,158	2,086	63	49
Receivables from sales financing	[17]	12,093	11,851	–	–	12,093	11,851
Financial assets	[18]	2,899	2,654	2,149	2,022	750	632
Current tax	[19]	249	267	220	238	29	29
Other assets	[20]	1,831	1,955	4,329	3,411	875	753
Cash and cash equivalents		1,975	1,621	1,599	1,372	376	249
Current assets		**28,599**	**27,010**	**17,780**	**15,650**	**14,192**	**13,569**
Total assets		**75,276**	**74,566**	**36,351**	**34,928**	**44,785**	**44,078**
Total assets adjusted for asset backed financing transactions		71,356	70,667	–	–	40,865	40,179

1] before consolidation of transactions between the sub-groups

Equity and liabilities in euro million	Notes	Group 31.3.2006	Group 31.12.2005	Industrial operations[1] 31.3.2006	Industrial operations[1] 31.12.2005	Financial operations[1] 31.3.2006	Financial operations[1] 31.12.2005
Subscribed capital		654	674				
Capital reserves		1,911	1,971				
Revenue reserves		16,619	16,351				
Accumulated other equity		–1,926	–1,517				
Treasury shares		–	–506				
Minority interest		–1	–				
Equity	[22]	**17,257**	**16,973**	**13,849**	**13,672**	**4,683**	**4,581**
Pension provisions		5,222	5,255	5,191	5,220	31	35
Other provisions	[23]	3,479	3,243	3,162	2,921	317	322
Deferred tax	[24]	2,615	2,522	1,711	1,611	648	658
Financial liabilities	[25]	15,611	16,830	1,202	1,070	14,409	15,760
Other liabilities	[26]	2,091	1,659	1,641	1,224	1,732	1,457
Non-current provisions and liabilities		**29,018**	**29,509**	**12,907**	**12,046**	**17,137**	**18,232**
Other provisions	[23]	2,470	2,663	2,127	2,367	373	328
Current tax	[24]	606	462	469	322	137	140
Financial liabilities	[25]	17,918	17,838	423	655	17,495	17,183
Trade payables		3,923	3,544	3,465	3,118	458	426
Other liabilities	[26]	4,084	3,577	3,111	2,748	4,502	3,188
Current provisions and liabilities		**29,001**	**28,084**	**9,595**	**9,210**	**22,965**	**21,265**
Total equity and liabilities		**75,276**	**74,566**	**36,351**	**34,928**	**44,785**	**44,078**
Total equity and liabilities adjusted for asset backed financing transactions		71,356	70,667	–	–	40,865	40,179

1] before consolidation of transactions between the sub-groups

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

in euro million	Group	
	2006	2005*
Net profit	948	525
Depreciation of leased products	988	875
Depreciation and amortisation of tangible, intangible and investment assets	725	713
Change in provisions	41	15
Change in deferred tax	51	41
Change in net current assets and other items	– 280	165
Cash inflow from operating activities	**2,473**	**2,334**
Investment in intangible assets and property, plant and equipment	– 680	– 588
Net investment in leased products and receivables from sales financing	– 1,780	– 1,768
Other	83	– 164
Cash outflow from investing activities	**– 2,377**	**– 2,520**
Cash inflow / outflow from financing activities	**– 424**	**73**
Effect of exchange rate and changes in composition of group on cash and cash equivalents	**682**	**27**
Change in cash and cash equivalents	**354**	**– 86**
Cash and cash equivalents at 1 January	1,621	2,128
Cash and cash equivalents at 31 March	**1,975**	**2,042**

1] adjusted figures

	Industrial operations		Financial operations		
	2006	2005*	2006	2005*	
	864	458	137	146	Net profit
	2	1	903	689	Depreciation of leased products
	722	706	3	7	Depreciation and amortisation of tangible, intangible and investment assets
	14	49	27	– 28	Change in provisions
	98	60	– 22	34	Change in deferred tax
	– 479	– 158	204	370	Change in net current assets and other items
	1,221	**1,116**	**1,252**	**1,218**	**Cash inflow from operating activities**
	– 671	– 583	– 9	– 5	Investment in intangible assets and property, plant and equipment
	– 37	– 18	– 1,743	– 1,750	Net investment in leased products and receivables from sales financing
	– 26	– 164	109	–	Other
	– 734	**– 765**	**– 1,643**	**– 1,755**	**Cash outflow from investing activities**
	– 734	**– 393**	**310**	**466**	**Cash inflow/outflow from financing activities**
	474	**7**	**208**	**20**	**Effect of exchange rate and changes in composition of group on cash and cash equivalents**
	227	**– 35**	**127**	**– 51**	**Change in cash and cash equivalents**
	1,372	1,997	249	131	Cash and cash equivalents at 1 January
	1,599	**1,962**	**376**	**80**	**Cash and cash equivalents at 31 March**

BMW Group
Statement of Changes in Equity

in euro million	Subscribed capital	Capital reserves	Revenue reserves	Accumulated other equity: Translation differences	Fair value measurement of marketable securities	Derivative financial instruments	Pension obligations	Treasury shares	Minority interest	Total
31 December 2004 [1]	**674**	**1,971**	**14,531**	**–763**	**62**	**1,072**	**–1,013**	**–**	**–**	**16,534**
Acquisition of treasury shares	–	–	–	–	–	–	–	–5	–	–5
Translation differences	–	–	–	70	–	40	–	–	–	110
Financial instruments	–	–	–	–	5	–768	–	–	–	–763
Deferred tax on transactions recognised directly in equity	–	–	–	–	–	296	–	–	–	296
Net profit 31 March 2005	–	–	525	–	–	–	–	–	–	525
31 March 2005 [1]	**674**	**1,971**	**15,056**	**–693**	**67**	**640**	**–1,013**	**–5**	**–**	**16,697**
31 December 2005	**674**	**1,971**	**16,351**	**–646**	**562**	**29**	**–1,462**	**–506**	**–**	**16,973**
Acquisition of treasury shares	–	–	–	–	–	–	–	–253	–	–253
Withdrawal of shares from circulation	–20	–60	–679	–	–	–	–	759	–	–
Translation differences	–	–	–	–86	–	15	–9	–	–	–80
Financial instruments	–	–	–	–	–360	80	–	–	–	–280
Deferred tax on transactions recognised directly in equity	–	–	–	–	–	–49	–	–	–	–49
Net profit 31 March 2006	–	–	947	–	–	–	–	–	1	948
Other changes	–	–	–	–	–	–	–	–	–2	–2
31 March 2006	**654**	**1,911**	**16,619**	**–732**	**202**	**75**	**–1,471**	**–**	**–1**	**17,257**

see also Note [22]
1] adjusted figures

BMW Group
Statement of Income and Expenses recognised directly in Equity

in euro million	1st quarter 2006	1st quarter 2005*
Fair value gains and losses on available-for-sale investments recognised directly in equity	– 360	5
Fair value gains and losses on financial instruments used for hedging purposes recognised directly in equity	95	– 728
Exchange differences arising on the translation of foreign subsidiaries	– 86	70
Actuarial gains and losses on defined benefit pension and similar obligations	– 9	–
Deferred tax on gains and losses recognised directly in equity	– 49	296
Gains and losses recognised directly in equity	**– 409**	**– 357**
Profit after tax attributable to shareholders of BMW AG	**947**	**525**
Aggregate amount of net profit for period and gains and losses recognised directly in equity	**538**	**168**

* adjusted figures

BMW Group
Notes to the Interim Group Financial Statements to 31 March 2006
Accounting Principles and Policies

[1] Basis of preparation

The Group financial statements of BMW AG at 31 December 2005 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 2006, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as in the 2005 Group financial statements. Necessary changes resulting from the application of new or revised Standards are explained in Note [4]. All Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which are mandatory at 31 March 2006 have also been applied. The Interim Report also complies with German Accounting Standard No. 6 (GAS 6) – Interim Financial Reporting – issued by the German Accounting Standards Committee e.V. (GASC). The interim Group financial statements have neither been audited nor reviewed by the group auditors, KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft.

Further information about the Group's accounting principles and policies is contained in the BMW Group financial statements at 31 December 2005. The Group currency is the euro. All amounts are disclosed in millions of euros (euro million) unless stated otherwise.

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

In conjunction with the refinancing of financial services business, a significant volume of receivables arising from retail customer and dealer financing is sold. Similarly, rights and obligations relating to leases are sold. The sale of receivables is a well established instrument used by industrial and financial companies. These transactions are usually in the form of "asset backed financing" transactions involving the sale of a portfolio of receivables to a trust which, in turn, issues marketable securities to refinance the purchase price. The BMW Group continues to "service" the receivables and receives an appropriate fee for these services. In accordance with IAS 27 (Consolidated and Separate Financial Statements) and the interpretation contained in SIC-12 (Consolidation – Special Purpose Entities) such assets remain in the Group financial statements although they have been legally sold. Gains and losses relating to the sale of such assets are not recognised until the assets are removed from the Group balance sheet on transfer of the related significant risks and rewards. At euro 3.9 million, the balance sheet value of assets sold at 31 March 2006 was unchanged from 31 December 2005. For an additional understanding of the asset, liability and financial position of the BMW Group, the Group balance sheet contains a supplementary disclosure of the balance sheet total adjusted for assets which have been sold.

[2] Consolidated companies

The BMW Group financial statements for the first quarter 2006 include, besides BMW AG, 44 German and 146 foreign subsidiaries. This includes 17 special securities funds and 20 trusts, almost all of which are used for asset backed financing. BMW Hellas Trade of Cars SA, Athens, Park Lane Ltd., Bracknell, BMW Portugal Lda., Lisbon, BMW Holding Malaysia Sdn Bhd, Kuala Lumpur, BMW Malaysia Sdn Bhd, Kuala Lumpur, BMW Asia Technology Centre Sdn Bhd, Kuala Lumpur, BMW (China) Automotive Trading Ltd., Beijing, BMW Leasing (Thailand) Co., Ltd., Bangkok, BMW Danmark A/S, Kolding, and BMW International Investment B.V., Rijswijk, were consolidated for the first time in the first quarter 2006.

Compared to the first quarter 2005, a total of 14 German and foreign subsidiaries have been consolidated for the first time.

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

[3] New financial reporting rules

(a) Financial reporting rules applied for the first time in the first quarter 2006

The following new, revised and amended Standards were applied for the first time in the group financial statements at 31 March 2006:
– Amendment to IAS 39 (The Fair Value Option)
– Amendments to IAS 39 and IFRS 4 (Financial Guarantee Contracts)
– Amendment to IAS 21 (Effects of Changes in Foreign Exchange Rates)

In addition, the following Interpretations were applied for the first time:
– IFRIC 4 (Determining whether an Arrangement contains a Lease)
– IFRIC 5 (Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds)
– IFRIC 6 (Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment)

(b) New financial reporting rules issued during the first quarter 2006

The IASB issued the following new interpretations during the first quarter 2006:
– IFRIC 8 (Scope of IFRS 2)
– IFRIC 9 (Reassessment of Embedded Derivatives)

IFRIC 8 and IFRIC 9 are applicable from 1 January 2007 onwards. These Interpretations will not have a significant impact on the BMW Group.

[4] Changes to the interim financial statements for the first quarter 2005

The IASB issued Amendment to IAS 19 (Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosure) in December 2004 permitting actuarial gains and losses arising in conjunction with defined benefit pension obligations to be recognised directly in equity.

Under the corridor method used by the BMW Group up to 30 September 2005, actuarial gains and losses were recognised when their net cumulative amount exceeded the higher of the present value of the obligations and the fair value of plan assets at the end of the preceding period by more than 10 % (10 percent corridor). The amount exceeding the corridor was required to be recognised as income or expense over the average remaining working lives of the employees participating in the plans concerned. Fluctuations in the net cumulative amount of actuarial gains and losses within the corridor were not recognised. Unrecognised actuarial losses represented a short-fall in the amount recognised as liabilities in the balance sheet.

In accordance with the new accounting option for pension obligations, the full amount of previously unrecognised actuarial gains and losses is required to be recognised directly in equity. The revised rules do not envisage recognition through profit or loss of the amount by which actuarial gains and losses exceed the 10 percent corridor.

In order to improve transparency in its financial reporting, the BMW Group has elected to apply the option made available by the IASB to change the accounting treatment for pension obligations and adopted the amendment at 31 December 2005.

The following components of the financial statements are affected by the change in accounting policy for defined benefit pension obligations:

– Group and Sub-group Income Statements
– Group and sub-group Balance Sheets
– Group and sub-group Cash Flow Statements
– Statement of Changes in Equity
– Segment Information

Attention is drawn by footnotes in the notes to the group financial statements to the adjustments made to prior year figures.

[5] Revenues

Revenues by activity comprise the following:

in euro million	1st quarter 2006	1st quarter 2005
Sales of products and related goods	9,064	8,454
Income from lease instalments	996	725
Sales of products previously leased to customers	858	634
Interest income on loan financing	449	383
Other income	251	161
Revenues	**11,618**	**10,357**

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

[6] Cost of sales

Cost of sales of euro 9,047 million (first quarter 2005: euro 7,907 million*) include euro 2,189 million (first quarter 2005: euro 1,621 million) relating to financial services business.

[7] Sales and administrative costs

Sales costs amounted to euro 947 million (first quarter 2005: euro 923 million*) and comprise mainly marketing, advertising and sales personnel costs.

Administrative costs amounted to euro 209 million (first quarter 2005: euro 188 million). These comprise expenses for administration which are not attributable to development, production or sales functions.

[8] Research and development costs

Research and development costs of euro 609 million (first quarter 2005: euro 597 million*) comprise all research costs and development costs not recognised as assets as well as amortisation and disposals of capitalised development costs of euro 178 million (first quarter 2005: euro 168 million).

[9] Other operating income and expenses

Other operating income amounted to euro 198 million (first quarter 2005: euro 186 million). Other operating expenses amounted to euro 115 million (first quarter 2005: euro 97 million). The increase was due to higher exchange losses.

* adjusted in accordance with Note [4]

[10] Financial result

in euro million	1st quarter 2006	1st quarter 2005
Result on investments	5	16
Net interest expense	– 55	– 57
Other financial result	457	32
Financial result	**407**	**– 9**

The improvement in other financial result related to the exercise of exchange rights on shares in Rolls-Royce, plc, London, held by the BMW Group and to fair value gains on derivative financial instruments.

[11] Income taxes

Taxes on income comprise the following:

in euro million	1st quarter 2006	1st quarter 2005*
Current tax expense	257	260
Deferred tax expense	91	37
Income taxes	**348**	**297**

* adjusted in accordance with Note [4]

As a result of the tax-exempt gain arising on the partial settlement of the exchangeable bond on Rolls-Royce plc shares, the effective tax rate decreased to 26.9 % (first quarter 2005: 36.1 %).

[12] Earnings per share

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

		1st quarter 2006	1st quarter 2005*
Profit attributable to the shareholders	euro million	947.2	524.9
Profit attributable to common stock	euro million (rounded)	871.6	484.2
Profit attributable to preferred stock	euro million (rounded)	75.6	40.7
Average number of common stock shares outstanding	number	603,858,331	622,227,918
Average number of preferred stock shares outstanding	number	52,196,162	52,001,162
Earnings per share of common stock	euro	**1.44**	**0.78**
Earnings per share of preferred stock	euro	**1.44**	**0.78**

* adjusted in accordance with Note [4]

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

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

[13] Intangible assets

Intangible assets comprise capitalised development costs on vehicle and engine projects as well as subsidies for tool costs, licences, purchased development projects and software. Capitalised development costs at 31 March 2006 amounted to euro 4,239 million (31 December 2005: euro 4,146 million). Capital expenditure for development costs in the first quarter 2006 was euro 271 million (first quarter 2005: euro 214 million). Amortisation amounted to euro 178 million (first quarter 2005: euro 168 million).

[14] Property, plant and equipment

Capital expenditure for property, plant and equipment in the first three months of 2006 was euro 394 million (first quarter 2005: euro 392 million). The depreciation expense for same period amounted to euro 528 million (first quarter 2005: euro 526 million).

[15] Leased products

Additions to leased products and depreciation thereon amounted to euro 2,104 million (first quarter 2005: euro 1,579 million) and euro 399 million (first quarter 2005: euro 361 million) respectively. Disposals amounted to euro 1,033 million (first quarter 2005: euro 747 million). The translation of foreign currency financial statements resulted in net negative translation differences of euro 226 million (first quarter 2005: net positive translation differences of euro 311 million).

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

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

Other investments relate primarily to investments in non-consolidated subsidiaries and to equity investments in other entities. The reduction of euro 752 million results primarily from the partial settlement of the exchangeable bond on Rolls-Royce plc shares.

[17] Receivables from sales financing

Receivables from sales financing totalling euro 28,975 million (31 December 2005: euro 29,053 million) relate to credit financing for retail customers and dealers and to finance leases.

Receivables from sales financing include euro 16,882 million (31 December 2005: euro 17,202 million) with a remaining term of more than one year.

[18] Financial assets

Financial assets comprise:

in euro million	31.3.2006	31.12.2005
Interest and currency derivatives	983	806
Marketable securities and investment funds	2,088	2,074
Loans to third parties	89	90
Other	350	326
Financial assets	**3,510**	**3,296**
thereof non-current	611	642
thereof current	2,899	2,654

[19] Income tax assets

Income tax assets can be analysed as follows:

31 March 2006 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	763	763
Current tax	249	–	249
Income tax assets	**249**	**763**	**1,012**

31 December 2005 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	772	772
Current tax	267	–	267
Income tax assets	**267**	**772**	**1,039**

[20] Other assets

in euro million	31.3.2006	31.12.2005
Other taxes	381	418
Receivables from subsidiaries	543	766
Receivables from other companies in which an investment is held	90	87
Prepayments	698	635
Sundry other assets	584	662
Other assets	**2,296**	**2,568**
thereof non-current	465	613
thereof current	1,831	1,955

[21] Inventories

Inventories comprise the following:

in euro million	31.3.2006	31.12.2005
Raw materials and supplies	736	674
Work in progress, unbilled contracts	894	931
Finished goods	4,893	4,042
Goods for resale	808	880
Inventories	**7,331**	**6,527**

The increase in inventories of finished goods was due to seasonal factors.

[22] Equity

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

Treasury shares

At the Annual General Meeting of BMW AG on 12 May 2005, the shareholders authorised the Board of Management to acquire treasury shares via the stock exchange, up to a maximum of 10% of the share capital in place at the date of the resolution and to withdraw these shares for circulation without any further resolution by the Annual General Meeting. The authorisation for the buy-back remains valid until 11 November 2006.

In conjunction with this authorisation, the Board of Management of BMW AG resolved on 20 September 2005 to put a programme in place to buy-back shares via the stock exchange. Under this programme, 3% of BMW AG's common stock was acquired.

Up to 17 February 2006, a total of 20,232,722 treasury shares of common stock were bought back via the stock exchange at an average price per share of euro 37.47 and a total acquisition cost of euro 758 million; these shares were withdrawn from circulation in accordance with the resolution taken by the Board of Management on 21 February 2006. Equity was reduced by the buy-back amount.

Transaction costs amounted to euro 0.776 million (net of deferred taxes) and were recognised directly in equity.

The extent to which BMW AG will acquire more than this level as part of the currently valid authorisation has not yet been decided.

Equity attributable to minority interest
Equity attributable to shareholders of BMW AG amounted to euro 17,258 million (31 December 2005: euro 16,973 million). Equity attributable to minority interest was a negative amount of euro 1.3 million (31 December 2005: positive amount of euro 0.188 million). This includes a minority interest of euro 0.9 million (first quarter 2005: euro 0.026 million) in the result for the period.

[23] Other Provisions

Other provisions, at euro 5,949 million (31 December 2005: euro 5,906 million) include primarily personnel-related obligations and obligations for ongoing operational expenses.

Current provisions at 31 March 2006 amounted to euro 2,470 million (31 December 2005: euro 2,663 million).

[24] Income tax liabilities

31 March 2006 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,615	2,615
Current tax	603	3	606
Income tax liabilities	**603**	**2,618**	**3,221**

31 December 2005 in euro million	Maturity within one year	Maturity later than one year	Total
Deferred tax	–	2,522	2,522
Current tax	459	3	462
Income tax liabilities	**459**	**2,525**	**2,984**

Current tax liabilities of euro 606 million (31 December 2005: euro 462 million) comprise euro 297 million (31 December 2005: euro 219 million) for taxes payable and euro 309 million (31 December 2005: euro 243 million) for tax provisions.

[25] Financial liabilities

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

in euro million	31.3.2006	31.12.2005
Bonds	14,734	15,162
Liabilities to banks	3,636	3,653
Liabilities from customer deposits (banking)	6,358	6,392
Commercial paper	3,541	3,814
Asset backed financing transactions	3,920	3,899
Interest and currency derivatives	411	850
Other	929	898
Financial liabilities	**33,529**	**34,668**
thereof non-current	15,611	16,830
thereof current	17,918	17,838

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

[26] Other liabilities

Other liabilities comprise the following items:

in euro million	31.3.2006	31.12.2005
Other taxes	525	329
Social security	97	122
Advance payments from customers	352	366
Deposits received	155	164
Liabilities to subsidiaries	24	39
Liabilities to other companies in which an investment is held	26	2
Deferred income	2,503	2,421
Sundry other liabilities	2,493	1,793
Other liabilities	**6,175**	**5,236**
thereof non-current	2,091	1,659
thereof current	4,084	3,577

[27] Explanatory comments to segment information

The activities of the various segments are described in the Group financial statements of BMW AG at 31 December 2005.

Segment information for the first quarter 2006 is as follows:

Segment information by business segment in euro million	Automobiles		Motorcycles		Financial Services		Reconciliations		Group	
	2006	2005*	2006	2005	2006	2005	2006	2005*	2006	2005*
Revenues with third parties	8,855	8,183	310	317	2,410	1,835	43	22	11,618	10,357
Inter-segment revenues	2,376	1,771	3	1	328	300	–2,707	–2,072	–	–
Total revenues	11,231	9,954	313	318	2,738	2,135	–2,664	–2,050	11,618	10,357
Profit before financial result	715	739	30	32	176	161	–32	–101	889	831
Result from equity method accounting	1	3	–	–	–	–	–	–	1	3
Other net financial result	45	–32	–1	–1	–3	–11	365	32	406	–12
Profit before tax	761	710	29	31	173	150	333	–69	1,296	822
Return on sales %	6.8	7.1	9.3	9.7	6.3	7.0	–	–	11.2	7.9

*adjusted in accordance with Note [4]

Financial calendar

Annual General Meeting	16 May 2006
Interim Report to 30 June 2006	2 August 2006
Interim Report to 30 September 2006	2 November 2006

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