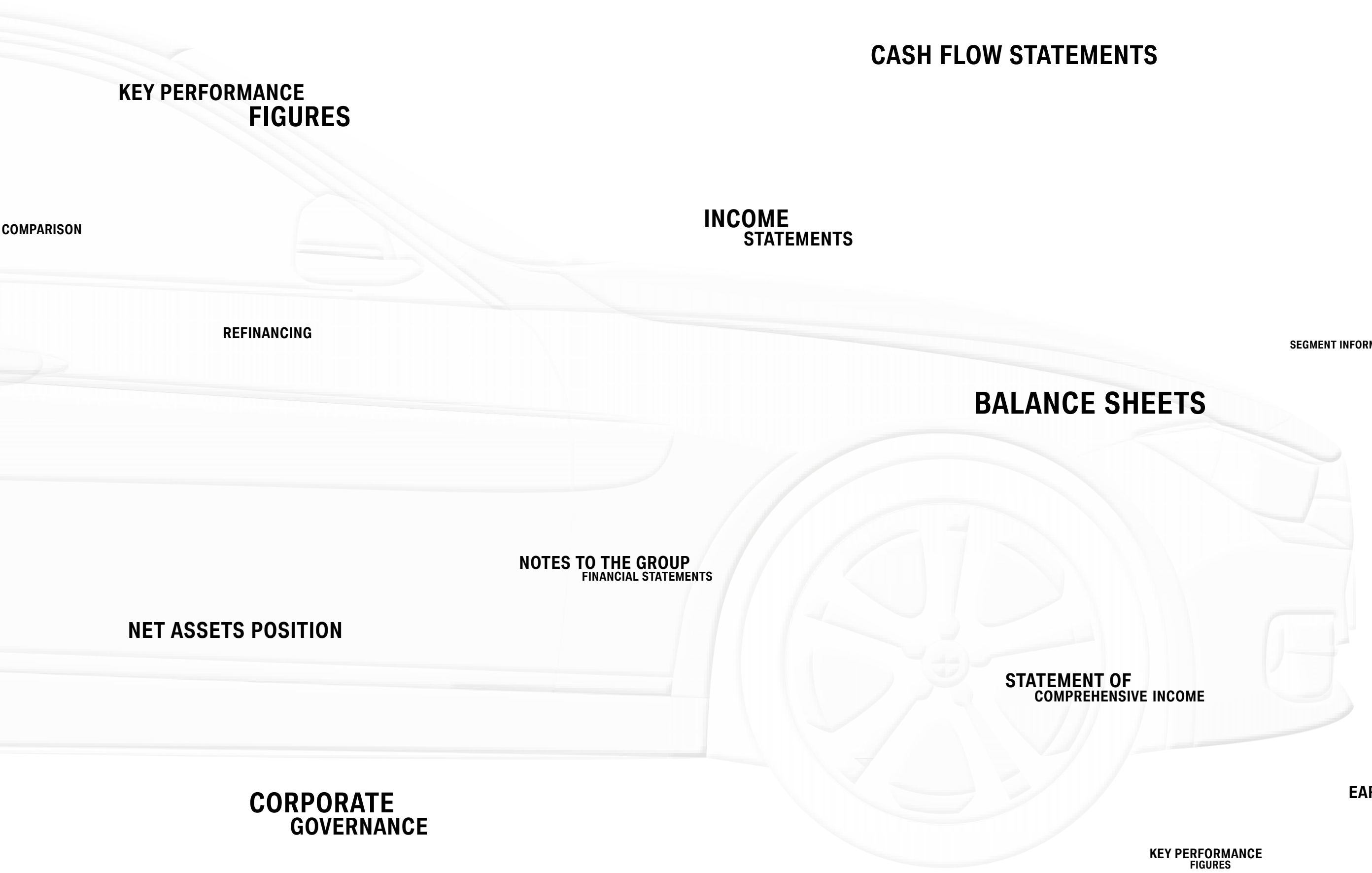
ANNUAL REPORT 2011

CORPORATE GOVERNANCE

REFINANCING

EARNINGS PERFORMANCE



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TEN-YEAR COMPARISON

BMW GROUP

Rolls-Royce Motor Cars Limited

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A PORTRAIT OF THE COMPANY

Bayerische Motoren Werke G. m. b. H. came into being in 1917, having been founded in 1916 as Bayerische Flugzeugwerke AG (BFW); it became Bayerische Motoren Werke Aktiengesellschaft (BMW AG) in 1918.

The BMW Group – one of Germany's largest industrial companies – is one of the most successful car and motorcycle manufacturers in the world. With BMW, MINI and Rolls-Royce, the BMW Group owns three of the strongest premium brands in the automobile industry. The vehicles it manufactures set the highest standards in terms of aesthetics, dynamics, technology and quality, borne out by the company's leading position in engineering and innovation. In addition to its strong position in the motorcycles market with the BMW and Husqvarna brands, the BMW Group also offers a successful range of financial services.

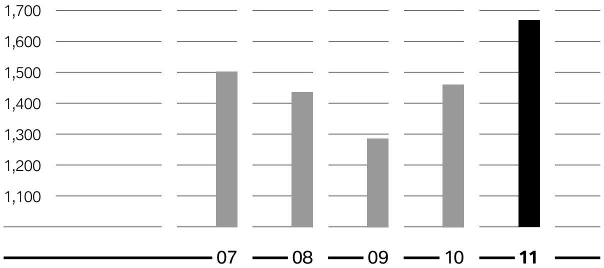
The course towards a successful future was set in 2007 with the adoption of Strategy Number ONE. The business was given a new strategic direction with an emphasis on profitability and long-term value growth. Our activities will remain firmly focused on the premium segments of the international car markets. Our mission statement up to the year 2020 is clearly defined: the BMW Group is the world's leading provider of premium products and premium services for individual mobility.

Long-term thinking and responsible action have long been the cornerstones of our success. Striving for ecological and social sustainability along the entire value-added chain, taking full responsibility for our products and giving an unequivocal commitment to preserving resources are prime objectives firmly embedded in our corporate strategy. For these reasons, the BMW Group has been the most sustainable company in the automotive industry for many years.

BMW Group in figures

Sales volume of automobiles

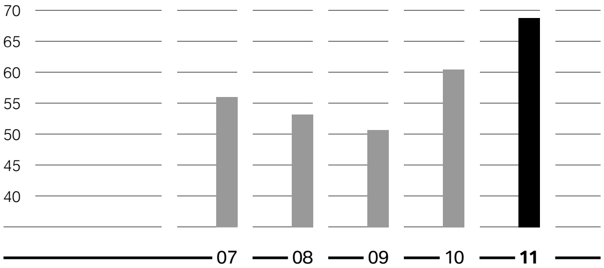
in thousand units



07	08	09	10	11
1,500.7	1,435.9	1,286.3	1,461.2	**1,669.0**

Revenues

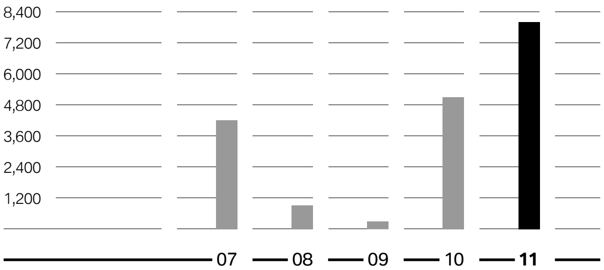
in € billion



07	08	09	10	11
56.0	53.2	50.7	60.5	**68.8**

Profit before financial result

in € million

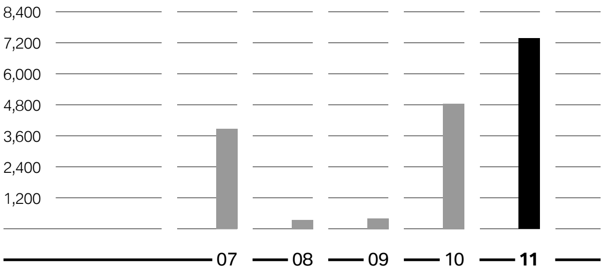


07	08	09	10	11
4,212	921	289	5,111*	**8,018**

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Profit before tax

in € million



07	08	09	10	11
3,873	351	413	4,853*	**7,383**

* Adjusted for effect of change in accounting policy for leased products as described in note 8

BMW Group in figures

	2007	2008	2009	2010	**2011**	Change in %
Sales volume – Automobiles						
BMW	1,276,793	1,202,239	1,068,770	1,224,280	**1,380,384**	12.8
MINI	222,875	232,425	216,538	234,175	**285,060**	21.7
Rolls-Royce	1,010	1,212	1,002	2,711	**3,538**	30.5
Total	**1,500,678**	**1,435,876**	**1,286,310**	**1,461,166**	**1,668,982**	**14.2**
Sales volume – Motorcycles						
BMW	102,467	101,685	87,306	98,047	**104,286**	6.4
Husqvarna	–	13,511	13,052	12,066	**9,286**	–23.0
Total	**102,467**	**115,196**	**100,358**	**110,113**	**113,572**	**3.1**
Production – Automobiles						
BMW	1,302,774	1,203,482	1,043,829	1,236,989	**1,440,315**	16.4
MINI	237,700	235,019	213,670	241,043	**294,120**	22.0
Rolls-Royce	1,029	1,417	918	3,221	**3,725**	15.6
Total	**1,541,503**	**1,439,918**	**1,258,417**	**1,481,253**	**1,738,160**	**17.3**
Production – Motorcycles						
BMW	104,396	104,220	82,631	99,236	**110,360**	11.2
Husqvarna	–	14,232	10,612	13,035	**8,505**	–34.8
Total	**104,396**	**118,452**	**93,243**	**112,271**	**118,865**	**5.9**
Workforce at end of year[1]						
BMW Group	107,539	100,041	96,230	95,453	**100,306**	5.1
Financial figures						
in € million						
Revenues	56,018	53,197	50,681	60,477	**68,821**	13.8
Capital expenditure	4,267	4,204	3,471	3,263	**3,692**	13.1
Depreciation and amortisation	3,683	3,670	3,600	3,682	**3,646**	–1.0
Operating cash flow	6,246	4,471	4,921	8,149[2]	**7,077**	–13.2
Profit before financial result	4,212	921	289	5,111[2]	**8,018**	56.9
Profit before tax	3,873	351	413	4,853[2]	**7,383**	52.1
Net profit	3,134	330	210	3,243[2]	**4,907**	51.3

[1] Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.
[2] Adjusted for effect of change in accounting policy for leased products as described in note 8

Joachim Milberg
Chairman of the Supervisory Board

Ladies and Gentlemen,

The BMW Group finished the financial year 2011 with sales volume, results and profitability at record levels and consolidated its position as market leader in the premium car segment. Despite volatile business conditions, the BMW Group experienced the best year of its corporate history in 2011. Throughout the year, the Supervisory Board monitored business performance with great interest, supervised the activities of the Board of Management continuously and diligently, and assisted it in an advisory capacity in the planning of all major undertakings. Discussions with the Board of Management were always conducted constructively and in an atmosphere of trust.

Main emphases of the Supervisory Board's monitoring and advisory activities In a total of five meetings, we deliberated in particular on the BMW Group's current performance and financial position, corporate strategy and business plans, risk provision and risk management, the Board of Management's compensation system, and corporate governance issues. The Board of Management informed us regularly and promptly of sales performance, workforce developments and other significant matters, both at scheduled meetings and at other times as the need arose. Furthermore, the Chairman of the Board of Management informed me personally and regularly of important business transactions and projects. As well as at scheduled meetings, Mr Kley, the Chairman of the Audit Committee, was also in regular contact with Mr Eichiner, the Board of Management member responsible for finance and accounting.

The Board of Management reported to us regularly on sales volume developments in the Automotive and Motorcycles segments, new business volumes in the Financial Services segment, changes in vehicle residual values on key markets as well as earnings and profitability during the year. We also took the opportunity at meetings with the Board of Management to discuss current challenges such as the impact of the catastrophe in Japan on the BMW Group's production network. The Board of Management reported in depth on the efforts of the BMW Task Force to guarantee the supply of parts and components to production lines. Together with the Board of Management we also discussed the planning of production capacities as well as the increasing difficulties experienced in importing vehicles to certain markets. The Board of Management reported on significant transactions for the BMW Group, such as the commencement of the BMW Peugeot Citroën Electrification joint venture, the purchase of the Fleet Management Division from the Dutch bank ING, the acquisition of a strategic investment in SGL Carbon SE, the intention to cooperate with Toyota Motor Corporation in basic research for battery cell technology and the signing of a contract with Toyota Motor Europe SA for the supply of diesel engines from 2014 onwards. The Board of Management also reported on the activities of the BMW Group in China, particularly on sales developments, the progress made in expanding production capacities in Shenyang and the support provided to the joint venture with Brilliance in its efforts to develop a new brand for a New Energy Vehicle.

The performance, management and organisation of the Financial Services segment was also a key item on the agenda in 2011. In this connection the Board of Management reported to us, among other topics, on the status and the further steps being taken in various EU countries to expand BMW Bank GmbH into EU-Bank.

In summer a meeting of the Supervisory Board was held for the first time at the BMW production plant in Spartanburg, South Carolina, USA. Our tour of the plant included a visit to the new production building and paint shop for the X3 production line. We took the opportunity to gain a broader idea of customer expectations on the US market and, in this context, reviewed the results of various customer satisfaction studies in the USA. The Head of the Sales Region North America reported to us on the prevailing market situation and the challenges of selling in the USA. To round off the trip, we also visited the site of a longstanding local supplier where we were able to gain an insight into the BMW purchasing strategy and the importance of quality management systems in this area.

As in the previous year, the Supervisory Board conducted a review of Board of Management compensation in 2011. This also included obtaining advice from external compensation consultants that were independent of the Company and Board of Management members. A comparison with compensation levels at other DAX companies and competitors showed that, even after the introduction of the share-based compensation programme, there was still a need for adjustment, particularly in the area of basic remuneration. We therefore decided to raise the basic remuneration of Board of Management members – which had last been adjusted at the beginning of 2009 – in two steps on 1 July 2011 and 1 January 2012 respectively and to increase the cash remuneration paid when a member invests in BMW AG common stock from 50 % to 100 % of the investment amount plus taxes and social insurance. However, taking all aspects into consideration, we came to the conclusion that the current entitlements of the Board of Management members to receive transitional payments were no longer in keeping with the times. With their agreement, the transitional payment arrangements contained in the service contracts of members of the Board of Management were cancelled with immediate effect.

Further information on the compensation of Board of Management members is provided in the detailed Compensation Report (page 165 et seq.).

In autumn we convened again for a two-day meeting at the BMW proving ground near Munich. One part of the meeting was dedicated to the Board of Management's annual review of Strategy Number ONE. In its report, the Board of Management paid particular attention to the challenges that arise in the phase in which traditional drive train technologies overlap with investments in new solutions. The Board of Management presented its plans to develop the vehicle portfolio and outlined future volume and earnings opportunities on specific markets. Various risk scenarios were also examined in the process. The two boards also jointly discussed current trends in technologies of the future. Through a combination of focused in-house development and cooperation arrangements with third parties, the Board of Management is endeavouring to secure access to relevant key technologies and generate competitive advantages. We consider that the Board of Management remains on track with a viable strategy for the future.

Prior to granting our approval, we carefully examined the long-term business plan presented by the Board of Management for the years from 2012 to 2017. The Board of Management explained the changes incorporated into the new forecasts. We also deliberated on appropriate lines of action that can be taken in the event of potential crisis scenarios. We encouraged the Board of Management to aim for balanced and profitable growth and to maintain its prudent planning of fixed costs.

In a second part of our meeting in autumn we held intensive discussions with the Board of Management regarding specific technical innovations, questions of product strategy and new concepts for both vehicles and services. In this context, the members of the Supervisory Board had the opportunity to test-drive some of new BMW and MINI brand models as well as the latest hybrid and electric vehicles. We were also given an update on the current status of the BMW i3 and BMW i8 projects with the aid of concept models and provided with background knowledge on the new subject of BMW i Mobility Services. We also discussed potential future applications of Connected Drive, i.e. the networking of driver, vehicle and environment to enhance convenience, infotainment and safety.

As a special topic, the Board of Management provided us with an overview of the current status of the BMW Group's pension obligations, including pension asset management and related risk management issues. We were also informed about the status of the externalisation of pension obligations.

Towards the end of the year we carefully considered the annual budget for the financial year 2012 put forward by the Board of Management and deliberated on a number of scenarios, taking into account the current difficulties in predicting future macroeconomic developments.

At the joint meeting in December the two boards deliberated on corporate governance at the BMW Group and adopted a new Declaration of Compliance, the wording of which is included in the Corporate Governance Report. The recommendations made by the Government Commission on the German Corporate Governance Code (code version of 26 May 2010) published on 2 July 2010 continue to be complied with without exception. This includes the recommendations of the Code regarding long-term succession planning for the Board of Management taking diversity factors into account. No new decisions with regard to the composition of the Board of Management were required to be taken in 2011. In preparation for future personnel decisions, the Personnel Committee and the Supervisory Board obtained information from the Board of Management with regard to the proportion of, and changes in, management positions held by women, in particular at senior management level and at executive level below the Board of Management. The Supervisory Board concurred with the Board of Management that, alongside gender diversity, cultural diversity also serves the best interest of the Group and should be additionally fostered.

With regard to its own composition, based on a detailed composition profile, the Supervisory Board decided upon specific appointment goals in 2010, which are contained in the Corporate Governance Report (page 164). These goals were not changed in 2011.

Examining and improving the efficiency of the Supervisory Board's work is seen as an ongoing task and was the subject of a separate discussion held by the full Supervisory Board. Preparations for the discussion were based on the results of a questionnaire devised by the Supervisory Board and distributed in advance of the meeting. In our opinion, open and constructive dialogue – both within the Supervisory Board and in its communications with the Board of Management – is an important basis for efficiency.

There were no indications of conflicts of interest on the part of members of either of the boards during the year under report. The nature and scale of significant transactions with related parties as defined by IAS 24 is examined with the aid of a questionnaire which members of both boards are required to complete on a quarterly basis. The questionnaire also covers transactions with close family members and intermediary entities.

Each of the five Supervisory Board meetings in 2011 was attended by an average of 90 % of its members, a fact that can be tied in to the analysis of attendance fees for individual members disclosed in the Compensation Report (see page 172). No member of the Supervisory Board missed more than two meetings. Presiding Board and committee meetings were fully attended in the vast majority of cases (see page 163).

Description of Presiding Board activities and committee work In a total of four meetings and one telephone conference, the Presiding Board focussed mainly on the preparation of specific topics for the meetings of the full Supervisory Board unless such preparation fell under the remit of one of the committees. The Presiding Board selected additional topics for Supervisory Board meetings and made suggestions to the Board of Management regarding items to be included in its reports to the full Supervisory Board.

The Audit Committee held three meetings and four telephone conferences during 2011. In accordance with the recommendation of the German Corporate Governance Code, three of the telephone conferences in 2011 served to discuss interim financial reports with the Board of Management prior to their publication. Representatives of the external auditors were present for part of the time at the telephone conference held to present the Interim Financial Report for the six-month period to 30 June 2011. The report had been subjected to review by the external auditors.

One meeting of the Audit Committee was primarily dedicated to preparing the Supervisory Board's meeting in spring 2011 at which the financial statements were examined. In order to prepare its recommendation to the full Supervisory Board regarding the proposed election of external auditors at the Annual General Meeting 2011, the Audit Committee obtained a Declaration of Independence from the proposed external auditor. The Audit Committee also examined the extent of non-audit-related services rendered for the BMW Group by KPMG entities. There were no indications of lack of independence or grounds for exclusion. The fee proposals for the audit of the year-end Company and Group Financial Statements 2011 and the review of the six-month Interim Financial Report were deemed appropriate by the Audit Committee. Subsequent to the Annual General Meeting 2011 the Audit Committee appointed the external auditor for the relevant engagements and, with due consideration to the suggestions made by the full Supervisory Board, determined areas of audit emphasis, namely the completeness of provisions for sales support, the measurement of credit risks as well as the calculation and measurement of tax expense and tax provisions.

The Head of Group Controlling reported to the Audit Committee on risk management within the BMW Group, explaining the processes in place with regard to specific reporting periods and vehicle projects and providing an overview of the current risk profile, including the impact of the catastrophe in Japan and the measures undertaken as a result. The current status of the internal control system, particularly with respect to financial reporting processes, was also presented.

The Chairman of the BMW Group Compliance Committee reported to the Audit Committee on the current compliance situation, which, as in the previous year, was deemed satisfactory. In addition, the Committee inquired into the outcome of sample testing carried out by the BMW Group Compliance Committee Office. The tests, which focused on the prevention of corruption, were performed as part of a group-wide risk assessment using a compliance-specific risk matrix approach. The Audit Committee was also informed of the establishment of a group-wide "whistle-blower" system and of plans to improve the BMW Group Compliance Organisation further.

The Head of Group Audit reported to the Audit Committee on the principal results of internal audit tests, the points of emphasis for the remainder of the financial year 2011 and the successful outcome of an external quality assessment of the Group Audit function carried out during the year under report.

In conjunction with the power vested in it by the Supervisory Board, the Audit Committee concurred with the decision of the Board of Management to raise the share capital of the Company in accordance with Article 4 (5) of the Articles of Incorporation (Authorised Capital 2009) by € 407,960 and to issue a corresponding number of new non-voting shares of preferred stock, each with a par value of €1, at favourable conditions to employees.

The Personnel Committee convened three times during the financial year 2011, with the emphasis of activities on the preparation of decisions relating to Board of Management compensation. In a small number of cases, the Personnel Committee also approved the assumption of external mandates by members of the Board of Management in non-Group supervisory or equivalent boards and approved contracts entered into by BMW Bank GmbH, for which its approval was required in accordance with the German Banking Act.

The Nomination Committee, which is charged with the task of finding suitable candidates for election to the Supervisory Board and for inclusion on the Supervisory Board's proposals for election at the Annual General Meeting, did not convene during the past financial year.

The statutory Mediation Committee pursuant to § 27 (3) of the German Co-Determination Law was not required to convene during the financial year 2011.

The relevant chairmen reported regularly and in depth at full Supervisory Board meetings on the status of Presiding Board and committee work. A detailed description of the work procedures of Supervisory Board committees is provided in the Corporate Governance Report.

Composition and organisation of the Board of Management The Board of Management, with its team of seven persons, remained unchanged in 2011 in terms of composition and portfolio responsibilities. No decisions needed to be made in 2011 with respect to the re-appointment or new appointment of Board of Management members.

Composition of the Supervisory Board, the Presiding Board and Supervisory Board Committees Following Mr Werner Neugebauer's resignation on 31 December 2010 from his position as employee representative on the Supervisory Board, on 10 February 2011 the Munich District Court appointed Mr Jürgen Wechsler, District Manager of the IG Metall Trade Union (Bavaria Region) to the position of employee representative on the Supervisory Board for the remaining term of office. The composition of the Presiding Board and the committees of the Supervisory Board remained unchanged during the financial year 2011. An overview of the composition of the Supervisory Board and its committees is provided in the Corporate Governance Report.

Examination of financial statements and the profit distribution proposal KPMG AG Wirtschaftsprüfungsgesellschaft conducted a review of the abridged Interim Group Financial Statements and Interim Group Management Report for the six-month period ended 30 June 2011. The results of the review were reported orally to the Audit Committee. No issues were identified that might indicate that the abridged Interim Group Financial Statements and Interim Group Management Report had not been prepared, in all material respects, in accordance with the applicable provisions.

The Company and Group Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the year ended 31 December 2011 and the Combined Company and Group Management Report – as authorised for issue by the Board of Management on 16 February 2012 – were audited by KPMG AG Wirtschaftsprüfungsgesellschaft and given an unqualified audit opinion.

Documents relating to the Company and Group Financial Statements, the Combined Company and Group Management Report, the long-form audit reports of the external auditors and the Board of Management's profit distribution proposal were made available to all members of the Supervisory Board in a timely manner. At the meeting held on 22 February 2012 these documents were examined and discussed initially by the Audit Committee. The Supervisory Board subsequently examined the relevant drafts of the Board of Management at its meeting on 8 March 2012, after hearing the committee chairman's report on the meeting of the Audit Committee. In both meetings, the Board of Management gave a detailed explanation of the financial reports it had prepared. Representatives of the external auditors attended both meetings, reported on significant findings and answered any additional questions raised by the members of the Supervisory Board. The representatives of the external auditors confirmed that the risk management system established by the Board of Management is capable of identifying events or developments impairing the going-concern status of the Company and that no material weaknesses in the internal control system and risk management system were found with regard to the financial reporting process. In the course of their audit work, the external auditors did not identify any facts inconsistent with the contents of the Declaration of Compliance issued jointly by the two boards.

Based on our own examination, we concurred with the results of the external audit and – at the Supervisory Board meeting held on 8 March 2012 – approved the Company and Group Financial Statements of Bayerische Motoren Werke Aktiengesellschaft for the financial year 2011 prepared by the Board of Management. The Company Financial Statements are therefore adopted. Both in the Audit Committee and in the full Supervisory Board we examined the proposal of the Board of Management to use the unappropriated profit to pay a dividend of € 2.30 per share of common stock and € 2.32 per share of non-voting preferred stock. We consider the proposal appropriate and therefore concur with it. In accordance with the conclusion reached on the examination by the Audit Committee and Supervisory Board, no objections were raised.

Expression of thanks by the Supervisory Board In the name of the Supervisory Board I wish to offer a sincere vote of thanks to the members of the Board of Management and the entire workforce for their work during the financial year 2011 and to congratulate them on the outstanding result achieved.

We consider that the BMW Group is well prepared for the upcoming challenges that can be expected in a highly volatile market environment.

Munich, 8 March 2012

On behalf of the Supervisory Board

Yours
Joachim Milberg

Joachim Milberg
Chairman of the Supervisory Board

Norbert Reithofer
Chairman of the Board of Management

Dear Shareholders,

The 2011 financial year was the best ever in the history of your Company, the BMW Group. We achieved new sales volume, revenues and earnings highs, and exceeded our targets.

The BMW Group remains the world's top-selling premium car manufacturer With almost 1.67 million vehicles sold, the BMW Group continues to be the world's leading premium manufacturer in terms of sales volume. Our three automobile brands, BMW, MINI and Rolls-Royce, also set new individual records. A further 113,000 customers purchased a BMW or Husqvarna motorcycle. Our Financial Services business also contributed to this positive sales development.

Revenues of € 68.8 billion and a profit before tax of more than € 7.3 billion also represent new highs for the Group. The BMW Group stands on a firm financial footing, maintaining our profitability. This provides us with additional flexibility in an uncertain environment and also gives us the ability to continue making important investments in the future.

Our capital expenditure of around € 3.7 billion in 2011 included investments in new products and the expansion of our international production network. One thing is clear: we will continue to make major investments over the next few years. That is the only way to respond to growing demand for our vehicles and at the same time realise new drive technologies, industrialise electromobility and offer our customers innovative mobility services. Our research and development expenses increased to more than € 3.3 billion in 2011. This investment was primarily earmarked towards projects to secure our future growth.

We continue to strive for a good balance of growth between Europe, the Americas and Asia. We believe this is essential to economic success in a highly volatile environment. The same applies to our highly flexible international production network of 25 sites in 14 countries. In 2012, we will open a new plant in Tiexi, China. Future growth also exists in the BRIKT countries of Brazil, Russia, India, South Korea and Turkey. We intend to capitalise on this potential.

We are expanding our international presence in a global world. This will give us greater freedom from market and currency fluctuations, promoting our long-term success and enhancing our competitiveness. Not least, it will secure jobs in Germany and around the world. Germany continues to form the backbone of our production activities.

Consistent implementation of Strategy Number ONE is paying off At the BMW Group, our ideas and actions are geared towards the long term. This is part of our corporate culture. Back in autumn 2007, before the global financial and economic crisis, we adopted our Strategy Number ONE with its four pillars: "Growth", "Shaping the future", "Profitability" and "Access to technology and customers". This strategy lays out the guidelines for our Company to remain focused on profitability and long-term value creation in a changing environment and to achieve significant efficiency improvements. We set ourselves concrete profitability targets for 2012 and formulated our vision for 2020.

All of this has paid off – as our success in 2011 has shown. We deliver on our promises. As shareholders and investors, you support us in our long-term approach. I would like to thank you for your ongoing confidence in the Company and the decisions we make. 2011 confirmed that BMW shares are an attractive long-term investment – as you have come to expect from a premium company.

Our success in 2012 and beyond A clear focus on premium vehicles and premium services for individual mobility remains the core of our business model. We will continue to refine this approach. We do so in light of changing customer demands, stringent regulations and the demands placed on automobile manufacturers by different industrial policies in different countries. We reviewed our strategy in 2011 for this reason. All of our assumptions were verified against current trends and developments.

Our aim for the 2012 financial year is to build on past year's success. We are targeting new highs in sales volume and pre-tax Group earnings. We intend to continue operating at a high level of profitability over the long term, which means maintaining an EBIT margin of between eight and ten per cent in the Automotive segment – assuming that there are no lasting negative economic conditions.

We benefit from an excellent starting position: we have a young and attractive product line-up. Regarding the BMW brand, the new BMW 3 Series will be playing a major role in 2012. The new BMW 3 Series Sedan has been available since mid-February. This was the first time we launched one of our models in all markets simultaneously. As well as incorporating a large number of technical innovations, our three lines, "Sport", "Modern" and "Luxury", will give customers even more choices for individualisation. We will also be adding the BMW brand's new CO_2 champion to our product range: the 163-horsepower BMW 320d EfficientDynamics Edition has a fuel consumption of 4.1 litres per 100 kilometres in the EU test cycle. This is equivalent to CO_2 emissions of 109 grams per kilometre. The BMW 320d will be followed in the autumn by the BMW ActiveHybrid 3, the world's first fully hybrid compact sports sedan in the premium segment.

Another BMW product highlight this year will be the BMW 6 Series Gran Coupé. This vehicle, the first four-door coupé in the history of the BMW brand, will come onto the market in June. The revised BMW 7 Series will follow in July, bringing true luxury to the premium segment. The MINI family will expand to six members in 2012 with the addition of the MINI Roadster. Rolls-Royce will maintain its successful course as the pinnacle of luxury motoring with its Phantom model series and the Rolls-Royce Ghost.

Shaping the mobility of tomorrow as a pioneer and trendsetter We will begin series production of electric vehicles in late 2013 and intensive preparations are already underway. Electric propulsion is an option for all three of our brands. The first two concept cars from the new BMW i family attracted considerable attention. Our BMW i3 and BMW i8 prove that sustainable mobility and sheer driving pleasure go exceptionally well together. At the same time, we are exploring totally new approaches to ensure environmentally and resource-friendly production of BMW i models. The power for the assembly of BMW i models will be obtained solely from renewable sources – a first for the industry.

Resource-efficient production and sustainability are part of our premium promise. Measures to this effect are implemented at all our locations worldwide. As a result, the BMW Group has been rated the industry leader in all major sustainability rankings for many years.

Strategic alliances as part of Strategy Number ONE The mobility of the future will take many forms. Accordingly, strategic collaborations with the best partners are an integral part of Strategy Number ONE. This secures long-term access to technologies and customers, pools expertise and achieves positive cost effects through economies of scale. In our opinion, there are two key elements for good collaborations: first, the partnership must create a win-win situation. Second, the premium character and independence of our vehicles and brands must always be assured.

In 2011 we opened a new production plant for carbon fibres in Moses Lake in the United States together with the SGL Group. It forms part of our international manufacturing network of ultra-light carbon-fibre reinforced plastic (CFRP) for the BMW i family. Our years of experience using CFRP parts in automobile construction give us a distinct advantage. Furthermore, we are positioning the BMW Group as a clear innovation leader in the field of lightweight construction.

We also strengthened our international multi-brand fleet management business with the acquisition of the ING Car Lease Group. As a result, the BMW Group now ranks among Europe's top five fleet service providers. With the expansion of our fleet management business, we are also laying an excellent foundation for developing modern mobility solutions and mobility services.

Our joint venture with PSA Peugeot Citroën was also successfully launched in 2011 as BMW Peugeot Citroën Electrification. The joint development of components for electrification and hybridisation will also make the European automobile industry more competitive in the field of hybridisation.

A major breakthrough in electromobility will depend on further progress in lithium-ion battery technology. Our planned cooperation with Toyota Motor Corporation will contribute to this through joint research into battery cell technology.

The right approach to the challenges of our times Business success depends on many different parameters. We believe that social responsibility and sustainable action are just as significant in this respect as growth, profitability and efficiency.

The Company's success is only made possible through the dedication, creativity and team spirit of the almost 100,000 employees of the BMW Group. On behalf of the Board of Management, I would like to thank all of our employees around the world for their commitment in 2011. I would also like to thank our entire retail organisation, our suppliers and business partners.

The BMW Group is considered to be one of the most attractive employers. We recruited a total of 4,000 new staff in 2011, securing ourselves key competences for the future. We also embrace our responsibility for training young people. We increased the number of apprentices to 3,899 by the end of 2011.

We are shaping the mobility of today and tomorrow for our customers, and thereby building a stable foundation for the future of the BMW Group.

As our shareholders, you have continued to show your support and confidence in our abilities to manage the BMW Group. We strive to ensure that your Company remains an attractive investment and a profitable enterprise with a strong reputation and high level of credibility for years to come.

Yours

Norbert Reithofer
Chairman of the Board of Management

Record-breaking year for BMW Group

The BMW Group experienced the best year of its corporate history in 2011, selling 1,668,982 BMW, MINI and Rolls-Royce brand cars (+ 14.2 %); this was more than ever before in an annual period. With this performance, the BMW Group retains the pole position in the premium segment of the world's car markets.

Sales volumes grew dynamically for all three car brands, each of them recording their best levels ever. Sales of BMW brand cars alone rose by 12.8 % to 1,380,384 units. A total of 285,060 units of the MINI brand were handed over to their new owners (+ 21.7 %). At 3,538 units, Rolls-Royce set a new sales volume record, posting an increase of 30.5 % on the previous year.

The Motorcycles segment put in another highly stable performance despite persistently unfavourable market conditions. In total, we handed over 113,572 BMW and Husqvarna brand motorcycles to customers during the year under report, 3.1 % more than in 2010.

Financial Services business also made an important contribution to the success of the BMW Group. With a portfolio of 3,592,093 contracts in place with dealers and retail customers at the end of the year, the segment recorded growth of 12.6 %.

New records set both for revenues and earnings

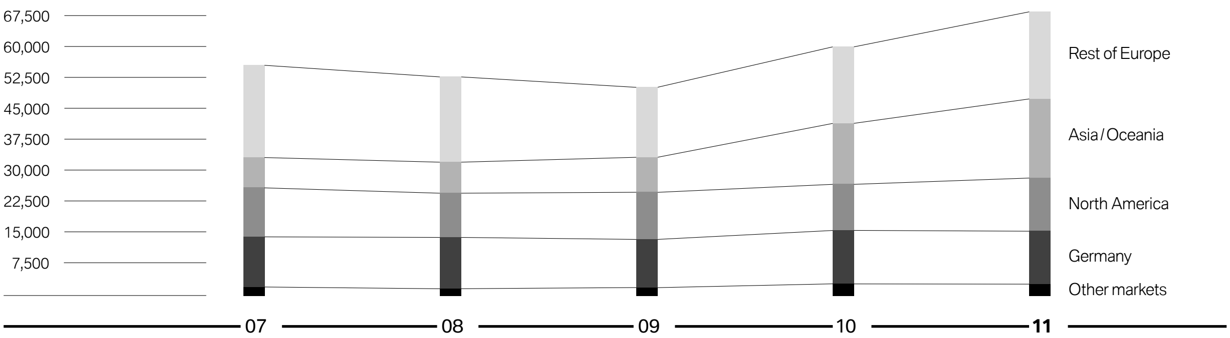
Group revenues and earnings broke all existing records on the back of dynamic car sales volume growth and flourishing financial services business. Revenues in 2011 totalled €68,821 million, 13.8 % higher than in the previous year. Earnings were also strong, with profit before financial result (EBIT) up by 56.9 % to €8,018 million and profit before tax up by 52.1 % to €7,383 million.

The Automotive segment recorded a 16.8 % increase in revenues to €63,229 million, with EBIT soaring to €7,477 million (+ 71.7 %) and segment profit before tax reaching €6,823 million (+ 75.5 %).

Motorcycle segment revenues grew by 10.1 % to €1,436 million on the back of good sales volume performance. EBIT fell by 36.6 % to €45 million, primarily due to restructuring measures taken at the level of Husqvarna. These measures also caused segment profit before tax to drop to €41 million (– 36.9 %).

The Financial Services segment also performed extremely well, posting a 5.4 % increase in revenues to €17,510 million. In earnings terms, segment EBIT rose by 46.8 % to €1,763 million and segment profit before tax by 47.4 % to €1,790 million.

BMW Group Revenues by region
in € million



	07	08	09	10	11
Rest of Europe	22,395	20,693	16,989	18,581	**20,956**
Asia / Oceania	7,353	7,523	8,495	14,776	**19,216**
North America	12,161	12,461	11,724	12,966	**12,905**
Germany	11,918	10,739	11,436	11,207	**12,859**
Other markets	2,191	1,781	2,037	2,947	**2,885**
Total	**56,018**	**53,197**	**50,681**	**60,477**	**68,821**

Income tax expense for the year amounted to €2,476 million (+ 53.8 %), resulting in an effective tax rate of 33.5 %, marginally up on the previous year's 33.2 %. Group net profit was significantly higher than in 2010, rising by 51.3 % to €4,907 million.

Sharp increase in dividend

Reflecting the very strong earnings performance, the Board of Management and the Supervisory Board will propose to the Annual General Meeting to use BMW AG's unappropriated profit of €1,508 million to pay a dividend of €2.30 for each share of common stock (2010: €1.30) and a dividend of €2.32 for each share of preferred stock (2010: €1.32), a distribution rate of 30.7 % for 2011 (2010: 26.5 %).

Capital expenditure increased

Capital expenditure on intangible assets and property, plant and equipment amounted to €3,692 million in 2011, 13.1 % higher than in the previous year (2010: €3,263 million). The main focus in 2011 was on product investments for new model start-ups (BMW 1 Series, 3 Series), on infrastructure investments aimed at expanding the production network and on the future production of electric cars (BMW i3 and i8).

The BMW Group invested €2,720 million in property, plant and equipment and other intangible assets in 2011 (2010: €2,312 million; + 17.6 %). Development expenditure of €972 million was additionally recognised as assets (2010: €951 million; + 2.2 %). The percentage of development costs capitalised decreased to 28.8 %, mainly due to model life cycle factors (2010: 34.3 %).

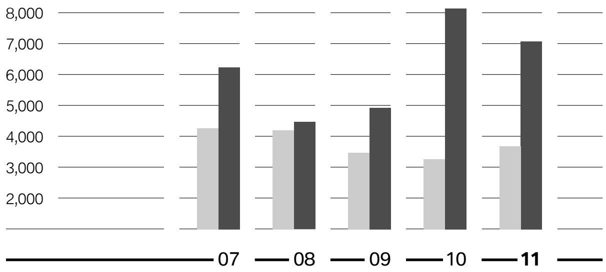
The capital expenditure ratio for the year was unchanged at 5.4 % and therefore remained – thanks to the efficient use of capital resources – well within the target range of below 7 % of Group revenues, despite substantial levels of investment in innovative products and technologies.

BMW Group strengthens market position in European fleet business

In July the BMW Group announced the purchase of ING Car Lease Group (ICL Group). This addition, combined with the existing Alphabet fleet business, increased the number of leasing and fleet management contracts handled by the BMW Group to approximately 540,000. Alphabet is now one of the top five fleet service providers on the European market, mainly concentrating on the growing sector of full-service leasing. The expansion of fleet management business provides the ideal foundation for developing forward-looking mobility solutions and services.

BMW Group Capital expenditure and operating cash flow

in € million



	07	08	09	10	11
Capital expenditure	4,267	4,204	3,471	3,263	**3,692**
Operating cash flow[1]	6,246	4,471	4,921	8,149[2]	**7,077**

[1] Cash inflow from operating activities of the Automotive segment

[2] Adjusted for effect of change in accounting policy for leased products as described in note 8

BMW Group and SGL Group open new carbon fibre production plant

In September 2011, SGL Automotive Carbon Fibers – a joint venture of the BMW Group and the SGL Group – opened a new state-of-the-art carbon fibre manufacturing plant in Moses Lake, USA. The facility plays a major strategic role in the manufacture of ultra-lightweight carbon-fibre reinforced plastics (CFRP), which will be used extensively in the BMW i vehicles to be launched by the BMW Group from 2013 onwards.

CFRP is becoming increasingly important in the quest for lighter materials that minimise vehicle weight and thereby reduce both fuel consumption and CO_2 emissions. With their new production plant in Moses Lake, the BMW Group and the SGL Group are proving that targeted innovations can make a real eco-friendly contribution towards the future of individual mobility.

Investment in SGL Carbon SE

BMW AG acquired 15.81 % of the share capital of SGL Carbon SE during the period under report, thus reinforcing our engagement in the area of lightweight construction and the use of CFRP in carmaking.

Economic environment increasingly volatile

After a phase of global economic upswing that began in the second half of 2009, the last six months of 2011 shows growing signs of a likely slowdown in the pace of worldwide economic growth in 2012. It also became apparent that some of the world's economies are facing a phase of stagnation.

Since summer 2011 the sovereign debt crisis plaguing the euro zone has given rise to a reassessment of the value of state bonds, shares and raw materials. In the short term, developments in the euro zone are likely to be the main single factor affecting global economic growth.

That having been said, rising public debt levels in the USA, alongside ongoing unsolved structural problems on the US employment and property markets also pose a risk to global economic growth in the current year, despite any temporary signs of the situation stabilising.

Signs are emerging in China – currently the mainstay of global economic growth – of a significant increase in bad debts within the banking system, for which the property boom of recent years is partly to blame.

In view of these developments, forecasts for economic growth in 2012 have generally been scaled back. Fiscal policies, particularly in the USA, Europe and Japan, are likely to hold down growth for the time being. Property markets in the USA, the UK and most of the euro zone continue to perform poorly. The situation in China is being exacerbated by the fact that property prices in major cities have been falling since mid-2011 after having risen rapidly in the preceding years.

In terms of monetary policies, central banks in industrial countries have more or less exhausted their remaining options in the period since the last crisis by adopting very expansive policies. Central banks in most emerging markets have also started to bring down interest rates in order to counter the negative impact of a forthcoming global downturn on their local economies. The scope for interest rate reductions in these countries is, however, restricted by higher inflation rates. Reports on trading policies also raise fears of a new wave of regulation.

China was once again the main driver of global economic growth in 2011, registering a growth rate in real terms of 9.0 % and, for the first time, contributing more than 10 % to global economic output. The growth rate lost impetus quite noticeably towards the end of the year as a result of lower revenues in the overheated property sector on the one hand and reduced export revenues on the other.

The growth rate in the USA – which still accounts for more than 20 % of global economic output – slowed down to 1.7 %, a significant drop on the previous year's figure. High debt levels in the public sector and private sphere are proving to be a serious impediment to growth.

Markets in the euro zone developed highly diversely in 2011. The average growth rate in the region was 1.6 %. With the exception of Germany, where the export-oriented economy again grew at the fairly healthy rate of 3.0 %, most of the other countries in Europe only reported moderate growth. France's growth rate of 1.6 % was roughly in line with the average for the euro zone. The southern European countries and Ireland fared considerably worse due to a loss of confidence in their economies. The Italian and Spanish economies verged on stagnation, with growth rates in the region of 0.5 %. Growth in Greece and Portugal continued to deteriorate. Germany is therefore one of the few countries within the euro zone to have returned to the economic output levels seen prior to the onset of the financial crisis in autumn 2008.

The British economy, too, only recovered sluggishly from the financial crisis, posting growth of 0.9 % in 2011. Tax increases and spending cuts due to the government's fiscal policies continued to dampen the employment market and discourage consumer spending, whilst monetary policies allowed inflation to rise to the unusually high rate of 4.5 %.

The Japanese economy – beset by the natural catastrophe which caused massive restrictions in energy supplies and production cuts affecting industrial activities – was pushed into recession and contracted by 0.7 % compared to the previous year.

The pace of economic growth also slowed in the major emerging markets. India saw growth fall to 6.8 %, mostly reflecting the negative impact of the high interest reference rate needed to bring down inflation, which was running at 9.0 %. A similar slowdown could be observed

Exchange rates compared to the euro

(Index: 29 December 2006 = 100)

Source: Reuters

in Brazil, where growth slackened to 2.9 %. By contrast, at 4.3 % Russia's growth rate remained at a similar level to the previous year.

US dollar and yen stronger, British pound remains weak

As in 2010, the US dollar gained value against the euro over the course of the year. After standing at US dollar 1.33 to the euro at the beginning of the year, the US currency finished the year at US dollar 1.30, reflecting the impact of the confidence crisis in the euro zone.

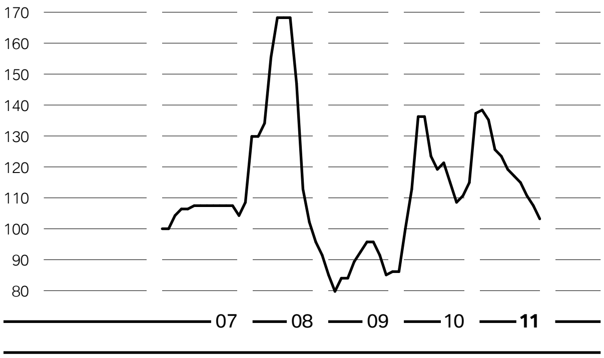
The British pound remained weak again throughout 2011 due to the ongoing weakness of the British economy and hovered at around British pound 0.85 to the euro. The value of the Japanese yen rose sharply again and ended the year at 101 yen to the euro. The increasingly cautious assessment of the global economy resulted in a capital outflow from emerging markets in 2011, causing currencies in Russia, India and Brazil to lose ground against the euro.

Raw materials prices remain high

Both energy and raw materials prices continued to rise well into the second quarter of 2011. Various factors, including political unrest in North Africa and the Middle

Steel price trend

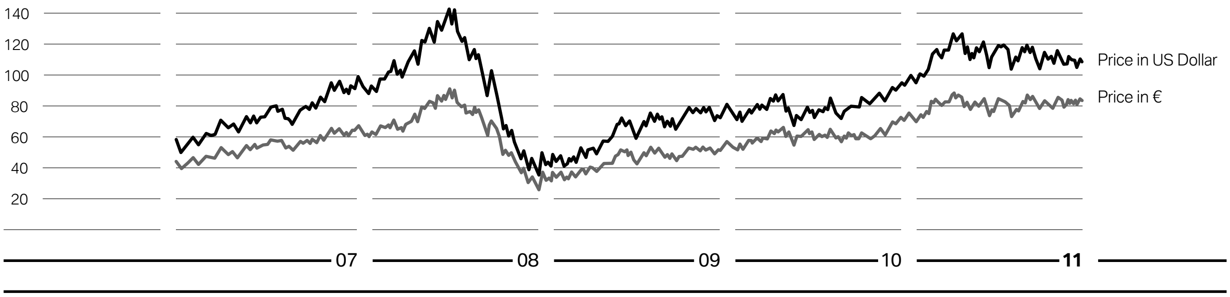
(Index: January 2007 = 100)



Source: Working Group for the Iron and Metal Processing Industry

Oil price trend

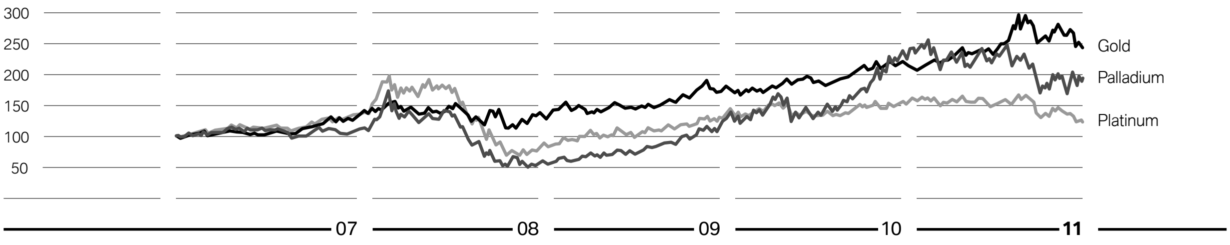
Price per barrel of Brent Crude



Source: Reuters

Precious metals price trend

(Index: 29 December 2006 = 100)



Source: Reuters

East, served to keep the price of crude oil high (between US dollar 95 and US dollar 105), despite the deteriorating economic environment. Metal prices fell by about 25 % in the second half of 2011 compared to the highs registered in the second quarter of 2011, but still remained high when seen in a long-term comparison.

Car markets in 2011

Primarily due to strong demand on emerging markets, the number of passenger cars and light commercial vehicles sold worldwide rose from 72.5 million in 2010 to 75.0 million in 2011 (+ 3.4 %). The Chinese car market grew by 3.5 % from 17.0 million to 17.6 million units, while the US market expanded to 12.8 million units (+ 10.0 %).

The picture in the European Union was inconsistent, partly reflecting the fact that national stimulus programmes expired at different times within the region. Overall, demand for cars in Europe fell by 3.0 % to 13.0 million units. In Germany, demand grew by 7.0 % to 3.1 million units. By contrast, decreases were registered in all of the other major markets, namely in Great Britain (– 5.0 %), France (– 6.0 %), Italy (– 10.0 %) and Spain (– 16.0 %).

The Japanese car market contracted by 16.0 % to 4.1 million units, reflecting the severe impact of production interruptions in the wake of the natural catastrophe.

Major emerging car markets continued to grow, although much more slowly than in the past. Demand in India rose by 7.0 %, setting a new record of 2.9 million units. The Russian car market expanded by 30.0 % to 2.4 million units. Brazil's car market climbed to a total of 3.4 million units (+ 3.0 %).

Motorcycle markets in 2011

International motorcycle markets in the 500 cc plus class continued to be weak in 2011, contracting worldwide by 3.9 %. The European market shrank overall by 6.9 %, although Germany (+ 3.2 %) and France (+ 3.7 %) managed to buck the general trend. By contrast, the motorcycle markets in Spain (– 24.3 %), Great Britain (– 13.5 %) and Italy (– 12.3 %) all recorded double-digit decreases. The 500 cc plus segment in the USA also posted a slight increase on the previous year (+ 1.4 %). The Japanese market, however, contracted by 6.9 %.

The financial services market in 2011

With economic figures still strong at the beginning of 2011, rising inflation was the main source of concern. In the final months of the year, however, this was overshadowed by uncertainties relating to sovereign debt levels in both Europe and the USA.

The European Central Bank (ECB) raised interest rates during the first half of 2011, in the hope of containing inflation within the euro region. However, during the final quarter of the year, the sovereign debt crisis caused the ECB to drop its reference interest rate by a total of 50 basis points, back to the level of the recessionary year 2009. Other measures taken to stabilise the situation were the purchase of state bonds issued by crisis-affected countries in southern Europe.

The US Reserve Bank also pursued expansionary monetary policies during the period under report. The reserve ratio for commercial banks was reduced in China for the first time in three years.

High debt levels in a number of euro countries and gloomier economic prospects caused the rating agencies to downgrade those countries' creditworthiness. The ensuing unrest on capital markets resulted in higher credit risk premiums and increased refinancing costs, despite the drop in interest rates.

The situation on the world's used car markets continued to stabilise in 2011. Used car prices fell, however, in a number of markets, such as Spain, Italy and Greece.

Overall, credit risk levels for retail, dealer and importer financing business eased slightly during the year under report. However, this was not the case in southern European markets, where the situation remained tense in a difficult economic climate.

AUTOMOTIVE SEGMENT

All brands report record-breaking sales volume figures

We sold a total of 1,668,982 BMW, MINI and Rolls-Royce Motor Cars brand vehicles during the year 2011, the best sales volume performance ever achieved in the Company's history (+ 14.2 %). Sales of BMW brand cars rose by 12.8 % to 1,380,384 units, setting a new sales volume record. The MINI brand also reported an all-time high level of sales, with 285,060 units handed over to customers worldwide (+21.7 %). Rolls-Royce Motor Cars also saw a sharp sales volume increase, with the number of cars sold up by 30.5 % to 3,538 units, also setting a new record.

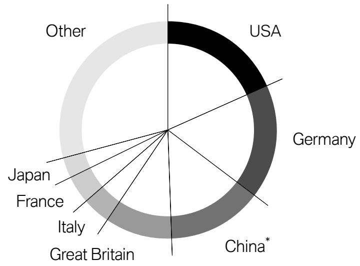
Dynamic growth in most markets

In Europe, sales of the three brands rose by 8.5 % to 858,383 units, sales volume in Germany was up by 6.8 % to 285,257 units and in Great Britain by 8.2 % to 167,456 units. Increases were also recorded for Italy (72,521 units; +4.9 %) and France (70,442 units; +8.6 %). The only market to record a drop was that of Spain, where economic uncertainties caused sales volume to fall by 10.3 % to 37,047 units.

The number of cars sold in North America in 2011 rose sharply (+14.4 %) to 341,345 units, with the USA reporting growth of 14.9 % to 306,349 units.

Sales performance in Asia was particularly strong with 375,452 BMW, MINI and Rolls-Royce Motor Cars brand vehicles sold (+31.1 %). The main contributor to this significant increase was the Chinese market, with sales up by 37.7 % to 233,630* units. At 47,663 units, the number of cars sold in Japan rose by 9.2 % on the previous year's figure.

BMW Group – key automobile markets 2011
as a percentage of sales volume

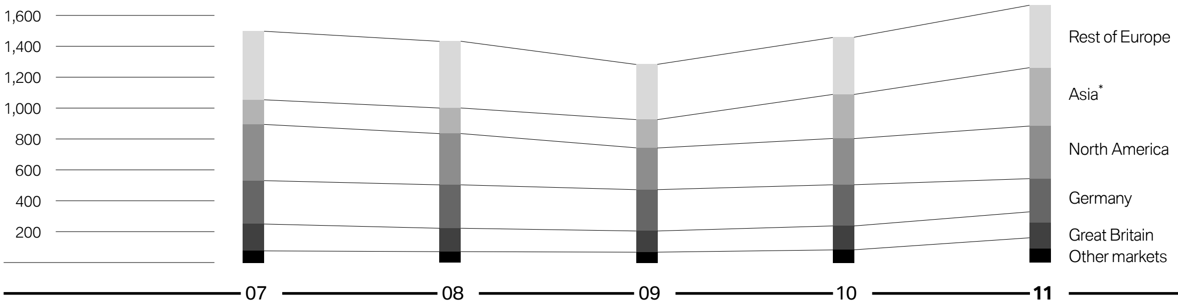


USA	18.4	Italy	4.3
Germany	17.1	France	4.2
China*	14.0	Japan	2.9
Great Britain	10.0	Other	29.1

BMW remains premium segment market leader

Due to model life cycle factors, sales of the BMW 1 Series fell by 10.0 % during the year under report to 176,418 units. The new five-door version has been available since September, which helped to boost demand for the BMW 1 Series in the final quarter of 2011 (33,162 units;

BMW Group Sales volume of vehicles by region and market
in 1,000 units



	07	08	09	10	11
Rest of Europe	443.6	432.2	357.3	369.3	**405.7**
Asia*	159.5	165.7	183.1	286.3	**375.5**
North America	364.0	331.8	271.0	298.3	**341.3**
Germany	280.9	280.9	267.5	267.2	**285.3**
Great Britain	173.8	151.5	137.1	154.8	**167.5**
Other markets	78.9	73.8	70.3	85.3	**93.7**
Total	**1,500.7**	**1,435.9**	**1,286.3**	**1,461.2**	**1,669.0**

* Including automobiles from the joint venture BMW Brilliance

+ 25.7 %). The 3 Series is also currently undergoing a model change. The new BMW 3 Series Sedan was first revealed to the public in October 2011 and will be launched on markets worldwide in mid-February 2012. Despite approaching the end of its life cycle, the 3 Series continued to perform extremely well in 2011 (384,464 units; – 3.6 %). The BMW 5 Series had another highly successful year, with sales up by 39.4 % to 332,501 units, enabling it to retain its eminent position as market leader worldwide in its segment. At the level of the BMW 6 Series, the new Convertible was launched in spring 2011 and the new Coupé in the autumn, boosting the worldwide sales volume for this series to 9,396 units (+ 60.7 %). During the year under report, we handed over 68,774 units of the BMW 7 Series to customers (+ 4.5 %). At 18,809 units, sales of the BMW Z4 were 23.5 % down on the previous year.

The various models of the BMW X family also performed extremely well during the year under report. The BMW X1 was handed over to 126,429 customers (+ 26.4 %). Sales of the BMW X3 more than doubled to 117,944 units

Sales volume of BMW vehicles by model variant

in units

	2011	2010	Change in %	Proportion of BMW sales volume 2011 in %
BMW 1 Series				
Three-door	**20,328**	31,980	– 36.4	
Five-door	**111,898**	113,030	– 1.0	
Coupé	**24,357**	26,191	– 7.0	
Convertible	**19,835**	24,803	– 20.0	
	176,418	**196,004**	**– 10.0**	**12.8**
BMW 3 Series				
Sedan	**240,279**	242,831	– 1.1	
Touring	**72,054**	74,008	– 2.6	
Coupé	**39,332**	46,358	– 15.2	
Convertible	**32,799**	35,812	– 8.4	
	384,464	**399,009**	**– 3.6**	**27.9**
BMW 5 Series				
Sedan	**248,835**	179,680	38.5	
Touring	**61,215**	32,288	89.6	
Gran Turismo	**22,451**	26,486	– 15.2	
	332,501	**238,454**	**39.4**	**24.1**
BMW 6 Series				
Coupé	**2,937**	3,050	– 3.7	
Convertible	**6,459**	2,798	–	
	9,396	**5,848**	**60.7**	**0.7**
BMW 7 Series				
	68,774	**65,814**	**4.5**	**5.0**
BMW X1				
	126,429	**99,990**	**26.4**	**9.1**
BMW X3				
	117,944	**46,004**	**–**	**8.5**
BMW X5				
	104,827	**102,178**	**2.6**	**7.6**
BMW X6				
	40,822	**46,404**	**– 12.0**	**2.9**
BMW Z4				
	18,809	**24,575**	**– 23.5**	**1.4**
BMW total	**1,380,384**	**1,224,280**	**12.8**	**100.0**

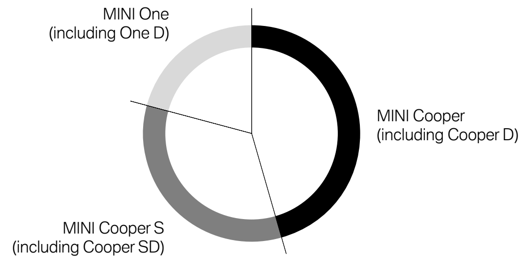
(2010: 46,004 units). With a sales volume of 104,827 units, the BMW X5 once again outdid its previous year's strong performance, remaining market leader in the Sports Activity Vehicle premium segment (+ 2.6 %). Sales of the BMW X6 dropped by 12.0 % to 40,822 units.

Strong growth for MINI brand

Our MINI brand achieved a new sales volume record in the year under report, with an increase of 21.7 % to reach 285,060 units. The MINI Countryman had a particularly successful year. Launched in autumn 2010, it was selected by 89,036 customers in 2011. Sales of the MINI Convertible (29,325 units; – 10.3 %) and the MINI Clubman (25,745 units; – 17.8 %) were down on the previous year. The MINI Hatch registered sales volume of 137,155 units (– 12.0 %). The MINI Coupé was launched as the fifth series model of the MINI family in September, and a total of 3,799 units were sold up to the end of 2011.

MINI brand cars in 2011 – analysis by model variant

as a percentage of total MINI brand sales volume



MINI Cooper (including Cooper D) — 45.7
MINI Cooper S (including Cooper SD) — 33.7
MINI One (including One D) — 20.6

Sales volume of MINI vehicles by model variant

in units

	2011	2010	Change in %	Proportion of MINI sales volume 2011 in %
MINI Hatch				
One	**40,751**	44,268	–7.9	
Cooper	**63,189**	76,520	–17.4	
Cooper S	**33,215**	35,053	–5.2	
	137,155	**155,841**	**–12.0**	**48.1**
MINI Convertible				
One	**5,071**	4,525	12.1	
Cooper	**13,984**	16,613	–15.8	
Cooper S	**10,270**	11,542	–11.0	
	29,325	**32,680**	**–10.3**	**10.3**
MINI Clubman				
One	**3,675**	2,973	23.6	
Cooper	**13,852**	19,551	–29.1	
Cooper S	**8,218**	8,793	–6.5	
	25,745	**31,317**	**–17.8**	**9.0**
MINI Countryman				
One	**9,214**	1,733	–	
Cooper	**38,302**	7,770	–	
Cooper S	**41,520**	4,834	–	
	89,036	**14,337**	**–**	**31.3**
MINI Coupé				
Cooper	**956**	–	–	
Cooper S	**2,843**	–	–	
	3,799	**–**	**–**	**1.3**
MINI total	**285,060**	**234,175**	**21.7**	**100.0**

Sales volume of Rolls-Royce vehicles by model variant

in units

	2011	2010	Change in %
Rolls-Royce			
Phantom (including Phantom Extended Wheelbase)	**537**	351	53.0
Coupé (including Drophead Coupé)	**281**	186	51.1
Ghost	**2,720**	2,174	25.1
Rolls-Royce total	**3,538**	**2,711**	**30.5**

Sales volume record for Rolls-Royce Motor Cars

Rolls-Royce Motor Cars also registered the best sales volume figure in the 107 years of the marque's history. A total of 3,538 units was sold in 2011 (+30.5%) and all of the Rolls-Royce models contributed to the brand's success. Luxury cars of the Phantom model series, including the Coupé and the Drophead Coupé, were handed over to 818 customers (+52.3%). Sales of the Ghost also rose sharply (+25.1%) to 2,720 units. As a result of this fine sales performance, Rolls-Royce leads the segment for ultra-luxury vehicles.

Car production increased

The strong demand for our vehicles worldwide led to production volumes being raised for all three brands in 2011. In total, 1,738,160* BMW, MINI and Rolls-Royce Motor Cars brand vehicles were manufactured during the year under report (+17.3%). The production of BMW cars was increased by 16.4% to 1,440,315* units, while MINI production volume grew at an even faster rate (294,120 units; +22.0%). A total of 3,725 vehicles left the Rolls-Royce plant in Goodwood, England, in 2011 (+15.6%).

* Including automobiles from the joint venture BMW Brilliance

Production capacities fully utilised

The production network again operated at full capacity in 2011. Thanks to a high degree of flexibility, it was able to react promptly to the economic upswing. Apart from achieving record production volumes, a total of ten new series production start-ups were implemented, including the new BMW 3 Series and 1 Series. Global growth is being met by increasing capacities in various regions, including the USA, China and India, thus enabling the BMW Group to strengthen its international presence. At the same time, we are also investing some €2 billion in our German production sites in 2011 and 2012.

At the BMW plant in Munich, the ramp-up of production for the new BMW 3 Series was at the forefront of activities in 2011, culminating in its world debut in Munich on 14 October. Apart from the great number of invited guests, the event was attended by some 5,000 BMW Group employees. The official production start-up of the new BMW 3 Series, now in its sixth generation, took place on 28 October. In the field of engine production, the major emphasis was placed on the production start of the new BMW 4-cylinder petrol engine in 2011; some €205 million was invested in these start-ups at the BMW plant in Munich in 2011.

Production of the BMW 5 Series, 6 Series and 7 Series at the BMW plant in Dingolfing proceeded at record levels in 2011 in order to meet the strong demand for our vehicles worldwide. In April 2011 the eight-millionth BMW left the plant's production lines since 1973. Well over 340,000 vehicles were produced at the site in the year under report, more than in any other single year. Production of the new BMW 6 Series Coupé began in July and was followed in autumn by the BMW M5, now in its fifth generation. January 2012 marked the production launch of the BMW ActiveHybrid 5, the first fully hybrid BMW Sedan. Over the course of 2011 we invested some €270 million to rejuvenate the site's manufacturing technologies and prepare for the production of new models and components. As a result of these various developments, which will also include the making of engine and drive components for electric models under the BMW i sub-brand, the Dingolfing site is set to be one of the main pillars of the BMW Group's future Electromobility Production Network.

The BMW plant in Regensburg saw the production launch of the new BMW 1 Series on 1 July 2011, the culmination of some €300 million of investment during the period since 2009. One of the measures taken has been to integrate the world's first dry separation method in the painting process. Now, instead of being filtered out in water, excess paint particles are collected in the form of recyclable stone powder. This new process helps to reduce both water and energy consumption. The process of integrating the production of the new BMW 3 Series into existing manufacturing structures was commenced in summer 2011, involving capital expenditure in the region of €300 million.

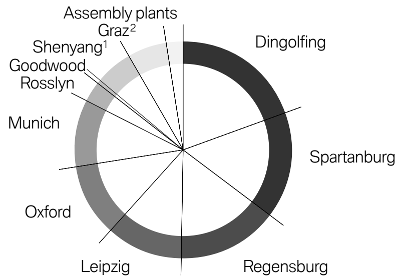
At the Wackersdorf plant we expanded the scope of operations for cockpit production. From now on, cockpits will be produced there for both the BMW 3 Series and the BMW 1 Series and supplied to our production sites worldwide.

At the beginning of December, the BMW plant in Leipzig celebrated the one-millionth vehicle to leave its production lines since operations commenced there. Almost 200,000 units were produced at the Leipzig plant in 2011, more than ever before. The site's efficient and flexible structures enabled it to rise to the challenge of meeting high worldwide demand for the BMW X1 and BMW 1 Series models. The BMW 1 Series M Coupé is also being produced at the Leipzig plant, the first time a BMW M model has been produced at this location. Preparations also commenced in 2011 for the future production of electric cars. In October 2011 a "topping out" ceremony was held to celebrate the extending of facilities built for producing future BMW i models. Production here will be done on a CO_2-neutral basis and all energy used will come from renewable sources. Four wind turbines set up at the site will generate sufficient amounts of electricity to produce the BMW i models. In the year under report we invested some €183 million. By the end of 2013 the BMW Group will have invested €400 million in the project and created 800 jobs in the process. Parallel to the above activities, a test fleet of approximately 1,100 BMW ActiveE cars was produced up to the beginning of 2012.

We are currently expanding the existing CFRP production facilities at the BMW plant in Landshut. In future, up to 100 employees will process carbon-fibre layers to form CFRP components for the BMW i3 and BMW i8 models. The BMW Group boasts more than ten years of expertise in working with this lightweight construction material at the Landshut site. In order to extend our expertise in the area, the BMW Group and the Technische Universität Munich are working together closely on a related research and development project. In September 2011 we provided a carbon braiding machine to further develop braiding technology for CFRP components for future automotive applications and to work on solutions for producing CFRP components on an industrial scale. As part of the measures being taken to expand capacities, the smelter at the Landshut lightweight metal foundry will be redesigned and production processes modified to make them even more sustainable.

Vehicle production of the BMW Group by plant in 2011

in 1,000 units



Dingolfing	343.2	Rosslyn	53.2
Spartanburg	276.1	Goodwood	3.7
Regensburg	260.0	Shenyang[1]	98.2
Leipzig	199.2	Graz (Magna Steyr)[2]	102.7
Oxford	191.5	Assembly plants	37.5
Munich	172.9		

[1] Joint venture BMW Brilliance
[2] Contract production

In future, residual metals will be recycled in the site's own smelter. This concept promises to cut costs and at the same time reduce CO_2 emissions along the entire value-added chain by 10 %.

In 2011 the BMW Group's largest engine factory in Steyr established a new record by producing 1.2 million engines, easily surpassing the high level of 1 million units achieved in 2010. The Steyr plant again set standards in the automotive sector in 2011, winning two top places in the international "Engine of the Year Awards". The BMW 6-cylinder petrol engine with TwinPower Turbo and the BMW 4-cylinder diesel engine with TwinPower Turbo were both voted winners in their categories.

More than 190,000 MINIs were manufactured at the Oxford plant in 2011. Production of the MINI Coupé commenced in July, with the MINI Roadster following in November. We invested some €100 million in the Oxford plant over the course of the year. Preparations for the next MINI generation were also set in motion. The two-millionth MINI rolled off the production line in Oxford in August 2011. The Hams Hall plant celebrated its tenth anniversary in 2011. Production of engines for the new BMW 1 Series and 3 Series started during the course of the year. Altogether, more than 430,000 engines were produced at Hams Hall in 2011, a new record for the site. In June 2011 we announced plans to further expand the Hams Hall plant to build future generations of engines. Over the coming three years, approximately €600 million will be invested in the MINI production network (Oxford, Hams Hall and Swindon).

We are also continually investing in the Rolls-Royce plant in Goodwood, England. The manufacturing area is to be expanded in response to the general high demand for the Rolls-Royce brand and in particular for customised models under the Rolls-Royce Motor Cars Bespoke Programme.

The expansion of capacities at our Spartanburg plant in the USA was completed during the year under report. In total, 276,065 units of the BMW X family were produced there, establishing a new volume record. With an export ratio of approximately 70 %, the Spartanburg plant is the USA's largest exporter of cars to non-NAFTA countries. Based on the assessment of the U.S. Environmental Protection Agency (EPA), the plant achieved fourth place in the rankings for major users of renewable energy, demonstrating the great importance placed on the issue of sustainability in Spartanburg.

The BMW plant in Rosslyn saw the 300,000th fifth-generation BMW 3 Series vehicle roll off the production lines in April 2011. Almost 56,000 car bodies were produced at this site in 2011, setting a new record for the South African plant. The figure includes more than 2,500 car bodies bound for the assembly plant in India. Furthermore, preparations for the production start of the sixth-generation BMW 3 Series in 2012 were also initiated during the year under report.

Production is also in full swing at the Dadong* plant in Shenyang, China. More than 98,000 BMW vehicles were produced there in 2011 and the plant is thus working at full capacity. Back in 2009 we announced our intention to increase capacities in China and construction at the Tiexi* site progressed according to schedule during the year under report. The assembly building, the body shop and the energy building have already been completed. The press shop and painting building are currently still under construction. The official opening of the plant is scheduled for 2012. The production capacity of the existing Dadong plant will rise to more than 100,000 vehicles p.a. and that of the new Tiexi plant will be increased in the medium term to produce 200,000 vehicles p.a.

* Joint Venture BMW Brilliance

MOTORCYCLES SEGMENT

Increase in motorcycle sales volume

The Motorcycles segment's worldwide sales volume rose by 3.1 % to 113,572 units in 2011 (2010: 110,113 units). The BMW brand in particular performed extremely well despite the difficult market environment. The number of BMW motorcycles sold rose to 104,286 units (+ 6.4 %), giving BMW Motorrad its best sales volume performance to date. Sales of Husqvarna motorcycles fell by 23.0 % (9,286 units) as a result of a slump in the off-road market and restructuring measures at the level of the Husqvarna brand.

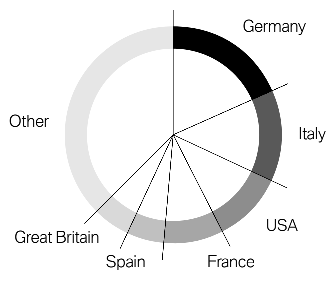
Sales increased in most markets

Sales of BMW and Husqvarna motorcycles in Europe were on a par with the previous year's high level (75,073 units; + 0.7 %). Performance in Germany was particularly strong, with motorcycle sales in 2011 up by 15.7 % to 21,119 units. Sales volume also rose in France compared to the previous year, with the number of motorcycles sold going up by 5.1 % to 10,243 units. By contrast, sales figures were down in Italy (15,304 units; – 9.8 %), Spain (6,345 units; – 12.1 %) and Great Britain (6,276 units; – 7.7 %). 11,981 motorcycles were sold in the USA, 7.4 % more than one year earlier. The figure contrasts with the sales performance in Japan, where the number of motorcycles sold dropped by 17.9 % to 2,786 units. The fastest growth rate (+ 53.1 %) was registered in Brazil, where the BMW Group sold 5,442 motorcycles.

Numerous new motorcycle models

The BMW Group continued to expand its range of models in the Motorcycles segment in 2011. The K 1600 GT and

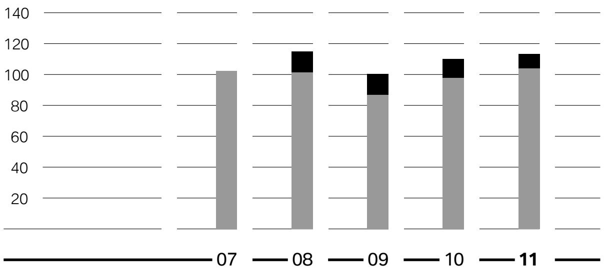
BMW Group – key motorcycle markets 2011
as a percentage of sales volume



Germany	18.6	Spain	5.6
Italy	13.5	Great Britain	5.5
USA	10.5	Other	37.3
France	9.0		

BMW Group Sales volume of motorcycles

in 1,000 units



	07	08	09	10	11
BMW	102.5	101.7	87.3	98.0	**104.3**
Husqvarna		13.5	13.1	12.1	**9.3**
Total	102.5	115.2	100.4	110.1	**113.6**

K1600 GTL models launched in spring are the first BMW brand motorcycles to be equipped with 6-cylinder engines. Further models launched in 2011 were the G 650 GS and R1200 R, as well as a number of special models (R1200 GS, F 800 GS and F 650 GS). With regard to Husqvarna models, the CR 65 was launched in spring, and the street motorcycles Nuda 900 and Nuda 900R towards the end of the year.

We will continue to expand our product range on a targeted basis in 2012. At the beginning of November, at the EICMA International Motorcycle Fair, we presented the G 650 GS Sertao, the S1000 RR (model year 2012), the R1200 GS Rallye (special model) and the special models K1300 R and K1300 S. For the first time in the history of the Motorcycles segment we presented high-capacity scooters in the form of the C 650 GT and the C 600 Sport. All of these models will become available in the course of 2012. Concept-e, a study on electro-mobility, was also presented to the public at the IAA. Moreover, the Husqvarna brand provided an insight into the possibilities of an electric motorcycle with its presentation of the e-GO Concept. Husqvarna's concept studies (MOAB Concept and STRADA Concept) presented during the year, including at the EICMA Motorcycle Fair, also highlighted the potential for future models.

In January 2011 the S 1000 RR supersport won the renowned "International Bike of the Year" award. The international jury of 14 found the S 1000 RR's unique combination of outstanding performance and suitability for day-to-day use particularly praiseworthy.

Motorcycle production volume expanded

Motorcycle production increased by 5.9 % to 118,865 units in the year under report, comprising 110,360 BMW brand motorcycles (+11.2 %) and 8,505 Husqvarna brand motorcycles (–34.8 %), a new record annual production figure for BMW. The two-millionth motorcycle since the opening of the plant in 1969 came off the production line in Berlin in May 2011.

FINANCIAL SERVICES SEGMENT

Record figures for Financial Services segment
The financial year 2011 was an extremely successful one for the Financial Services segment, despite the turbulence on international financial markets. At the end of the period under report, the segment was managing a portfolio of 3,592,093 lease and credit financing contracts with retail customers and dealers (2010: 3,190,353 contracts; +12.6%). This figure includes 252,870 contracts of the ICL Group. The business volume of the segment measured in balance sheet terms also grew in 2011, rising by 13.6% to €75,245 million (2010: €66,233 million). The acquisition of the ICL Group – undertaken as part of a new strategy in the field of fleet business – was an important aspect of this expansion (€3,647 million).

The Financial Services segment offers individual solutions for the mobility requirements of private and business customers alike and, with its attractive range of products, serves as a reliable partner to the sales organisation in more than 50 countries around the world. The segment comprises the following six lines of business:
1. Lease and credit financing of BMW Group vehicles for retail customers
2. Lease and credit financing for fleet customers/fleet management
3. Multi-brand financing
4. Dealer financing
5. Insurance
6. Banking

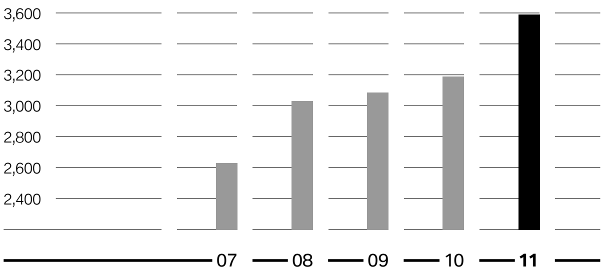
Credit financing and the leasing of BMW, MINI and Rolls-Royce brand cars and motorcycles to retail customers represent the largest line of business. Multi-brand business, operated under the brand name "Alphera", involves the financing of the BMW Group's brands as well as vehicles of other manufacturers. The Financial Services segment also offers fleet business services under the brand name "Alphabet", covering the financing of corporate car fleets and the provision of an extensive range of services, including full fleet management. Under these arrangements, the BMW Group manages and finances both its own brand and other brand vehicles. The Financial Services segment offers inventories, real estate and equipment financing products for dealers. The segment's range of products is rounded off by the provision of selected insurance and banking services.

Dynamic growth of new business
Lease and credit financing business with retail customers once again made a significant contribution to the segment's success in 2011. 1,196,610 new contracts were signed during the period under report, 10.5% more than in the previous year (2010: 1,083,154 contracts). The number of new contracts of the ICL Group was 21,836. The volume of new business was greater than in the preceding year, both for credit financing (+4.6%) and leasing (+25.0%; adjusted for the ICL Group: +18.2%). The proportion of new BMW Group cars leased or financed by the segment fell by 7.1 percentage points to 41.1%, mainly reflecting the fact that the figures for the Chinese market were taken into account for the first time following the commencement of Financial Services business in China. The proportion of leased or financed new cars on this market is significantly lower than the average for other markets, reflecting the difference in Chinese consumer behaviour.

In the used car financing line of business, 301,539 new contracts were signed in the period under report, 5.1% fewer than in the previous year.

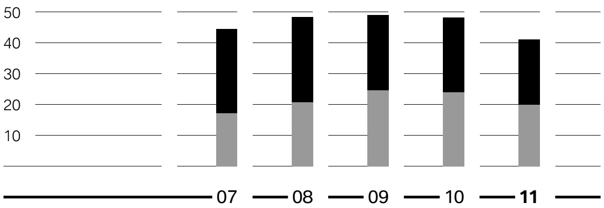
The total volume of all new credit and leasing contracts concluded with retail customers amounted to €31,779 million at the end of 2011 and was thus 13.3% up on one year earlier (including ICL Group: €411 million).

Contract portfolio of Financial Services segment
in 1,000 units



07	08	09	10	**11**
2,630	3,032	3,086	3,190	**3,592**

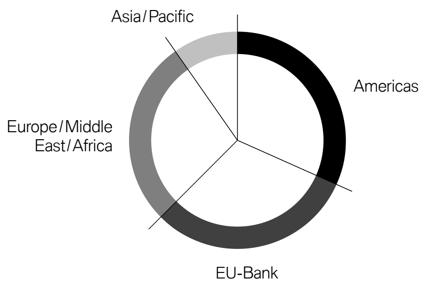
BMW Group new vehicles financed by Financial Services segment
in %



	07	08	09	10	**11**
Financing	17.4	20.9	24.7	24.1	**20.0**
Leasing	27.2	27.6	24.3	24.1	**21.1**

Contract portfolio retail customer financing of BMW Group Financial Services 2011

as a percentage by region



Americas	31.8	Europe/Middle East/Africa	27.7
EU-Bank	30.9	Asia/Pacific	9.6

The strong growth of new business had a positive impact on the overall size of the contract portfolio with retail customers, increasing it to a total of 3,311,809 contracts (+12.8%) at 31 December 2011. This figure includes 252,870 contracts of the ICL Group. All regions reported growth. The portfolios of the Europe/Middle East region (+43.7%) and of the Asia/Pacific region (+10.4%) expanded significantly compared to the previous year. The increase in Europe was primarily attributable to the acquisition of the ICL Group. The contract portfolios for the Americas region and the EU-Bank region climbed by 3.9% and 2.8% respectively.

Top spot for quality of service confirmed

The BMW Group's Financial Services segment again won numerous awards in 2011. In the annual survey on quality of service carried out by the well-known market research institute J.D. Power and Associates, the BMW Group's financial services operations in the USA achieved top spot for the eighth time in succession in the category "Dealer Financing Satisfaction Study℠". In Canada, the segment took first place amongst manufacturer-related financial service providers in the two categories "Retail Customer Credit Business" and "Retail Customer Lease Business". All of these awards are testimony to the segment's rigorous focus on providing customers with the best possible service.

BMW Bank on track towards becoming a Europe-wide bank

The strategy of turning BMW Bank Germany into a credit institution with operations across Europe continued to be pursued in line with plan in 2011. The bank's expansion will provide greater flexibility in terms of liquidity management and equity allocation. BMW Leasing GmbH was successfully merged with BMW Bank GmbH in August 2011.

Business expanded in new markets

The Financial Services operations set up in China in the previous year made good progress during the year under report. Business also developed well in India in the first full year of operations. Moreover, we also continued our strategy of regional expansion in 2011 and in August a subsidiary was established for financial services business in Poland.

Fleet business strengthened by acquisition

The BMW Group operates its international multi-brand fleet business under the brand name "Alphabet". In September, the European Competition Commission approved the acquisition of the ICL Group by the BMW Group. As a result of this move we now have operations in 15 countries and are meanwhile one of the top five fleet service providers on the European market. As a result of the acquisition, the portfolio of fleet business financing contracts rose sharply by 128.8% to 474,717 contracts (thereof 252,870 contracts of the ICL Group, excluded the ICL Group: +6.9%). The expansion of fleet management business is in keeping with the BMW Group's Strategy Number ONE, namely to be the world's leading provider of premium products and premium services in the field of individual mobility.

Multi-brand financing well up on previous year

Multi-brand financing business was expanded significantly once again in 2011, with new business increasing by 13.8% to 139,791 contracts. A portfolio of 370,999 contracts (+7.8%) was in place at 31 December 2011.

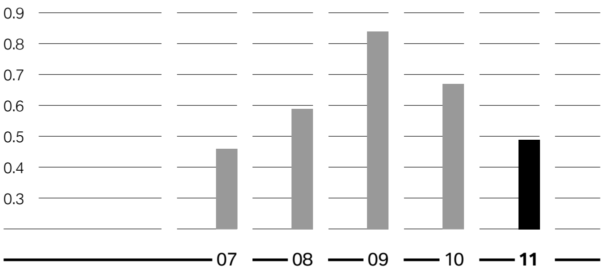
Dealer financing expanded

The total volume of dealer financing contracts at the end of the period under report amounted to €11,417 million, 12.4% more than one year earlier.

Growth in customer deposit business

Customer deposit business represents an important element of the BMW Group's refinancing strategy. The volume of customer deposits held at 31 December 2011 totalled €12,039 million, an increase of 12.6% compared to the end of the previous year. This development was boosted by the attractive deposit terms offered by BMW Bank in Germany. At 31 December 2011, a total of 24,388 securities custodian accounts were being managed, Development of credit loss ratio

in %



0.46	0.59	0.84	0.67	**0.49**

almost equal to the number recorded one year earlier (– 0.3 %). The number of credit card contracts under management at the end of the reporting period decreased slightly to 288,293 contracts (– 1.7 %).

Insurance business on growth course

The Financial Services segment also conducts insurance business in more than 30 markets, offering a range of car, residual liability, warranty and other insurance policies relating to individual mobility. Demand for these products remained high in 2011, with 846,639 new contracts signed during the period under report (+ 22.7 %). The insurance contract portfolio reached a new high of 2,007,268 contracts, 27.7 % more than one year earlier.

Risk situation continues to ease

Reflecting the economic recovery on the BMW Group's major car markets, the situation for credit and residual value risks improved throughout the period under report. The loss ratio on lending was reduced by 18 basis points from 0.67 % in 2010 to 0.49 % in 2011. Average losses on residual value risks also decreased significantly.

In order to measure the amount of unexpected loss for major risk categories (credit, residual value and interest rate risks, operational risks and insurance business-related risks), the value at risk (VaR) is calculated by the Financial Services segment on the basis of a confidence level of 99.98 % and a holding period of one year. An integrated limit system is used to control such losses. Limits stipulated at the beginning of an annual period – determined on the basis of resources available to cover risks – were not exceeded at any stage during the period under report. The Financial Services segment's ability to bear risks was therefore assured at all times.

RESEARCH AND DEVELOPMENT

Research and development expenditure increased

In 2011 our research and innovation network employed a workforce of more than 9,600 people based in twelve locations spread over five countries. Research and development expenditure for the year rose by 21.6 % to €3,373 million, mostly on projects aimed at securing the Group's future. The research and development ratio was 4.9 %, 0.3 percentage points higher than in the previous year. Further information on research and development activities is provided in note 11 to the Group Financial Statements.

Individual mobility of the future with Efficient Dynamics

Efficient Dynamics is a highly effective concept for the individual mobility of the future. During the year under report we continued to make our combustion engines even more efficient. We also developed a fully hybrid propulsion system for the BMW 5 Series and made good progress in the field of lightweight construction.

BMW TwinPower Turbo technology has once again underlined the leading role that the BMW Group is playing in the area of fuel consumption and emissions reductions. In 2011 we presented the new 2.0-litre, 4-cylinder petrol engine and the 3.0-litre straightline 6-cylinder diesel engine featuring this technology package.

Using their Driving Experience Control switch with ECO PRO Mode, drivers can choose between four driving modes: economy, comfort, sport or sport+. The ECO PRO Mode helps motorists drive more economically and hence increase driving range. Brake Energy Regeneration, Gearshift Point Indicator, detachable air conditioning compressors and needs-based management of auxiliary equipment all help to reduce fuel consumption even further.

The future family of engines using Efficient Dynamics technology will employ a standardised design principle and a higher number of common components for petrol and diesel engines, thus opening up opportunities to develop 3-, 4- and 6-cylinder engines of varying capacities.

Development work on drive train electrification was continued during the year, particularly in conjunction with hybrid technology. BMW ActiveHybrid technology is currently installed in the BMW ActiveHybrid 7 and ActiveHybrid X6 models. The power for the electrically driven features in these vehicles is largely derived from the Brake Energy Regeneration system. In 2012 we will also be launching a hybrid drive system for BMW 5 Series models.

BMW has also implemented a number of key innovations in the field of intelligent lightweight construction. The latest examples of these are the doors, front side walls and bonnet of the new BMW 5 Series. The doors alone are 23 kilograms lighter per vehicle than their predecessors.

Networking with Connected Drive

Connected Drive at the BMW Group stands for the whole range of mobility services and driver assistance systems used to optimise convenience, infotainment and safety in the car through the intelligent networking of driver, vehicle and environment.

With MINI Connected, in 2010 the BMW Group became the first carmaker worldwide to offer the application-based and comprehensive integration of the Apple iPhone in its vehicles. This feature has also been available in the BMW range since spring 2011. The app concept enables the range of features provided within the vehicle to be considerably extended. A third AppCenter, the BMW Group Connected Drive Lab China in Shanghai, was established during the year under report, alongside the AppCenters in Munich and the USA, thus enabling us to develop apps for specific markets.

In autumn 2011, Real-Time Traffic Information (RTTI) was added to the range of services available to customers in conjunction with ConnectedDrive. RTTI relays real-time traffic information with great precision, on both main and secondary roads. Moreover, customers with BMW ConnectedDrive contracts can now plan their routes online before setting off on a journey. If the traffic situation changes before the start of the journey and the route planner recommends a new, earlier departure time, the customer can arrange to be informed of the update by e-mail.

The broad range of options available with ConnectedDrive was demonstrated in the BMW Vision Connected Drive concept car displayed at the Geneva Motor Show. The car and its functions are specifically designed to cater to the needs of the driver and passenger. The features incorporated in the BMW Vision ConnectedDrive include an extended version of the Head-Up Display, which shows information and symbols in a three-dimensional display, resulting in a picture that merges virtual content into the actual street scene. The Passenger Information Display also allows the passenger to use the additional options created by intelligent networking, including the ability to assess information received online via the navigation system and pass it on to the driver's instrument cluster.

BMW i3 and i8 make world debut

In 2011 we presented the BMW i sub-brand as well as the BMW i3 and BMW i8 concept cars. BMW i stands for sustainable mobility in the premium segment and coincides with our belief that premium cars are being increasingly defined by their sustainability.

As the first BMW Group series-produced all-electric car, the BMW i3 Concept precisely defines the future challenges of mobility in urban environments. This vehicle, which has been specially designed for electrically powered driving, has a CFRP passenger compartment and aluminium chassis and sets new standards in terms of lightweight construction. Given that reduced weight also means increased range, the i3 offers a decisive benefit that will accelerate the broad acceptance of electromobility. The i3 will be 250 to 350 kilograms lighter than a conventional electric car. The electric motor has a capacity of 125 kW (170 hp), providing the car with a top speed of 150 km/h. With seating for four people and a boot volume of around 200 litres, the BMW i3 Concept is highly suitable for everyday use.

The BMW i8 Concept is the world's most progressive sports car. With its plug-in hybrid concept, it combines a combustion engine and an electric drive to produce a car with extremely low fuel consumption and emission levels. Whereas the front axle of the BMW i8 Concept is powered by the modified electric drive system of the i3 (96 kW/129 hp), a 164 kW (223 hp) turbo-charged 3-cylinder petrol engine propels the rear axle. Fuel consumption is 2.7 litres per 100 kilometres in the European test cycle, equivalent to CO_2 emissions of 66 g/km.

The era of the electric car also demands new concepts in terms of vehicle architecture and body design. The LifeDrive concept of BMW i cars comprises two horizontally separated, independent modules. The Drive module forms the car's stable base and integrates battery and drive system as well as the structural and basic crash features. The Life module comprises mainly a high-strength, lightweight passenger compartment made of CFRP. The extensive use of this high-tech material remains unique so far in the carmaking industry and amply demonstrates our technological superiority in the field of lightweight construction.

In order to carry out basic research in the next generation of lithium-ion battery technology, the BMW Group and the Toyota Motor Corporation (TMC) intend to enter into a medium- to long-term cooperation agreement. The two companies signed a corresponding Declaration of Intent in December 2011.

Successful tests conducted with automated research vehicle

In order to promote automated driving with state-of-the-art assistance systems, the BMW Group is working on an electronic co-driver. For research purposes, a BMW 5 Series Sedan was fitted with comprehensive environmental sensor systems and intelligent software. This highly automated car is being used to carry out research for future assistance functions. Examples are the parking and traffic jam assistant systems presented in the BMW i3 Concept.

Numerous awards won again in 2011 for BMW Group developments

With the BMW 5 Series Sedan, the MINI Countryman, the BMW S 1000 RR and the BMW Concept 6, a total of four vehicles and concept studies received the "2010 GOOD DESIGN™" award. The oldest design award worldwide was established in 1950 and honours both designers and manufacturers for particularly innovative, visionary products, concepts and ideas. Prizes are awarded on the basis of criteria set for functionality and aesthetics, combined with appropriately contemporary ecological requirements relating to sustainable design.

In March 2011 the BMW 5 Series Touring won the iF Gold Award in Hanover, the highest prize awarded by the International Forum Design. The BMW 5 Series Touring convinced the jury with its harmonious proportions, its individual surface design and its dynamic, powerful appearance. As a globally recognised seal of design quality, the iF label is the ultimate honour for outstanding design achievements.

The BMW 5 Series Touring, the BMW 6 Series Convertible and the BMW X3 won us three internationally renowned red dot awards in 2011. The new BMW 5 Series Touring even carried off the red dot special prize "best of the best" for highest quality design. The jury is made up of internationally renowned design experts who assess the products according to various criteria including degree of innovation, functionality and ecological compatibility. The highest award "best of the best" is bestowed in special recognition of unusually high-quality, groundbreaking design.

In October 2011 the BMW 5 Series Touring was awarded the German Design Award 2012 in silver. The model convinced the German Design Council with its successful combination of functionality and emotional, attractive design. The German Design Award honours achievements that set innovative design trends which have an international impact.

Shortly prior to the world debut of the BMW i3 Concept and BMW i8 Concept at the IAA in 2011, the unique lightweight construction concept of the two cars was awarded the ÖkoGlobe 2011 environmental prize. With this award, the jury paid tribute to the pioneering role of the BMW Group and the BMW i sub-brand for the use of CFRP in car manufacture.

Just a few weeks after its market launch, the new BMW 1 Series received the internationally prestigious "Goldenes Lenkrad" award, having come out on top in the compact car category. These annual awards are given to the best cars launched in each category.

By carrying off four class victories in the "International Engine of the Year Award", we repeated our success from the previous year and underlined our position as the dominant manufacturer in this competition. In the 1.4- to 1.8-litre capacity class, the international jury gave the award to the new MINI Cooper S engine. The 4-cylinder diesel engine featuring TwinPower technology won the award for the second consecutive year. As in the previous year, the 2.0-litre engine that powers the BMW 123d and the BMW X1 xDrive23d took the prize in the 1.8- to 2.0-litre category. In a similar vein, our 3.0-litre straightline 6-cylinder engine with TwinPower turbo technology, which powers the new BMW 5 Series and the BMW X3, repeated its previous year's success in the 2.5- to 3.0-litre class. The V8 engine of the BMW M3 took the laurels in the 3.0- to 4.0-litre class for the fourth time in a row.

PURCHASING

Purchasing and Supplier Network developed further

Throughout 2011 we continued the process of globalising our supplier network. Alongside the issue of securing supplies, we also focused on parts quality. Having organisational structures in place that effectively bundle responsibility for purchasing, logistics and parts quality enables us to successfully secure supplies for production with greater efficiency, even when working at full capacity. Tight networking with our suppliers is seen as a key issue, particularly regarding access to innovations. With this in mind, in autumn 2011 we created the Supplier Innovation Award to honour outstanding innovation in our vehicles. The award is intended to emphasise the fact that innovative strength is a key factor in the continued success of the BMW Group.

Numerous model start-ups during the reporting year

2011 again saw a large number of model start-ups. We continued to internationalise our supply chain, particularly with the new BMW 6 Series Coupé, the ActiveHybrid 5, the M5 and the 1 Series M Coupé. In this endeavour we were again successful in improving our cost base and the quality of supplies. An important step in the direction of electromobility and BMW i was taken with the production start of the BMW ActiveE test fleet.

Making use of international procurement markets

Our purchasing activities in Asia, and particularly in China, have been expanded prior to the opening of the new production plant in Tiexi*, China. To this end we set up our own organisational unit in China with responsibility for purchasing, logistics and quality. Simultaneously we broadened our purchasing activities for future vehicle projects in Europe and the NAFTA region. In doing so, we always give particular consideration to local partners present in the various production markets. This approach is seen as an important way of hedging currency risk. Multi-currency ordering enables us to pay for the various elements in the value-added chain in the relevant foreign currencies.

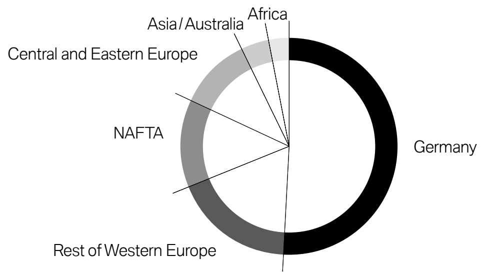
* Joint Venture BMW Brilliance

Productivity and technological edge in manufacturing

Production processes at the BMW Landshut plant were further optimised in 2011 and value streams designed to achieve even greater efficiency. In recognition of the improvements achieved, the Landshut plant was presented with the Lean Production Award 2011 for the best value-added chain.

Regional mix of BMW Group purchase volumes 2011

in %, basis: production material



Germany	51	Central and Eastern Europe	11
Rest of Western Europe	18	Asia / Australia	4
NAFTA	13	Africa	3

Production capacities for CFRP components at the Leipzig and Landshut plants were additionally expanded in preparation for the vehicle projects relating to the BMW i sub-brand. We also raised production capacities at the BMW Leipzig plant for plastic outer skin components. With both of these moves we are creating integrated production structures that deliver high levels of added value for the sites involved.

Sustainability in the value-added chains

Adherence to the BMW Group's high ecological and social standards was again a key criterion in selecting suppliers in 2011. The main focus was on monitoring the production locations of our suppliers worldwide. The high standards that we apply were recognised again in 2011 by inclusion in the Dow Jones Sustainability Index, in which the BMW Group is one of the top three in the Supply Chain category.

SALES

Five new BMW models

Several new BMW brand models came onto the market in 2011. The new 6 Series Convertible has been available since March 2011 and was followed in September by the BMW 6 Series Coupé. The BMW 1 Series M Coupé – the most powerful model in the 1 Series – was launched in May 2011. The second generation of the BMW 1 Series and the new M5 celebrated their world debuts at the IAA in Frankfurt. Both models have been available to customers since the end of 2011. The new BMW 3 Series Sedan, presented to the global public in mid-October, came onto the markets in February 2012 and is set to generate additional demand.

MINI Coupé launched

The latest MINI model series, the MINI Coupé, which was also presented at the IAA, took its place as the fifth model of the MINI family in September. The sixth member of the family, the MINI Roadster, followed in Detroit in January 2012 and will be available from March 2012.

Rolls-Royce Ghost available as extended wheelbase version

Rolls-Royce Motor Cars added the Ghost Extended Wheelbase to its model programme in spring 2011. The 102EX, the first electric vehicle in the ultra-luxury segment, was also presented as a dedicated test vehicle which will be used to gather experience with respect to electromobility in the luxury segment. The Spirit of Ecstasy celebrated its centenary in 2011: this ornament has adorned the bonnet of every Rolls-Royce vehicle since 1911.

The new BMW i sub-brand

The BMW Group presented its new sub-brand, BMW i, in February. BMW i stands for sustainable mobility in the premium segment and reflects our conviction that premium cars are being increasingly defined by their sustainability. The launch of the BMW i sub-brand was accompanied by an international marketing campaign aimed at reaching out to new target groups for the BMW Group.

The BMW i3 Concept and the BMW i8 Concept were presented at the IAA as innovative studies on the future of electromobility. The BMW i3, due to be launched in 2013, will be the BMW Group's first all-electric vehicle. The BMW i8 is a high-performance sports car with a plug-in hybrid concept which combines a combustion engine with an electric drive, enabling it to achieve the low consumption and emission levels of a compact car.

New mobility services

DriveNow, the innovative car sharing service operated in cooperation with Sixt AG, took up its activities in June 2011. In the meantime, more than 10,000 registered customers in Berlin and Munich have made use of the opportunity to rent a BMW or MINI for a specific period of time. Plans are now underway to extend DriveNow to other cities.

The investment company BMW i Ventures was set up in February 2011. Based in its offices in New York City, it assesses the potential for strategic investments in innovative mobility service providers. Its first investments have been in the entities MyCityWay, a megacity portal, and ParkatmyHouse, an exchange portal for private parking spaces.

Sales network expanded

The dynamic growth experienced in 2011 is also reflected in the worldwide expansion of the BMW and MINI dealership organisations. In China alone we opened up more than 70 BMW dealerships and around 20 MINI dealerships. Further emphasis was placed on expanding our networks in other promising markets of the future and on improving the distribution of the MINI brand. The worldwide sales network currently covers the sales activities of around 3,200 BMW dealerships, more than 1,400 MINI dealerships and some 90 Rolls-Royce dealerships. New training centres have been set up around the world to ensure that our customers continue to receive the best possible standard of service.

Record year for customer services

2011 was also a very successful year for the parts and accessories business lines. New record levels were achieved, both in Germany and in other important growth markets.

Customer satisfaction is particularly important to us. The customer services organisation was therefore restructured during the year under report with a view to ensuring even greater cooperation between the BMW Group's centralised sales organisations and the various markets. We are also striving to achieve greater customer orientation in the long term.

WORKFORCE

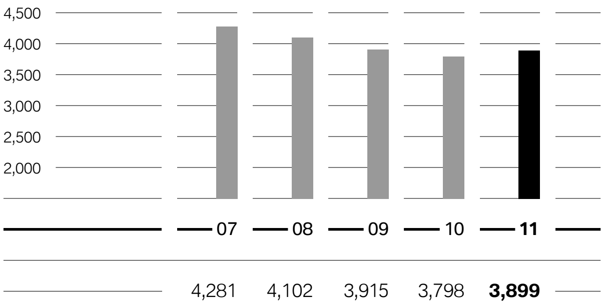
Workforce size increased

The BMW Group's worldwide workforce increased overall to 100,306 employees in 2011 (2010: 95,453 employees; + 5.1 %). This growth was partially attributable to the acquisition of the ICL Group and its incorporation in the financial services side of the business (1,292 employees). It also reflects a targeted drive to recruit skilled workers to keep abreast of the high demand for our vehicles and the need for additional staff as we press ahead with the development of new technologies, including electromobility.

More apprentices taken on

Vocational training provides the BMW Group with an important means of ensuring that our requirements for skilled staff at locations both in Germany and abroad are adequately covered in the long term. The total number of apprentices increased over the course of the year to 3,899 (+ 2.7 %). 1,197 young people – 1,089 of them in Germany – started their vocational training with the BMW Group at the beginning of the new training year. The wide range of vocational training courses available offers good prospects for interested youngsters. The classic vocational training route can also be combined with the acquisition of entrance qualifications for university. A training programme designed in line with the principles of the German dual training system has been developed at the BMW plant in Spartanburg, USA. Together with its joint venture partner, Brilliance Automotive, the BMW Group has also started up a wide-ranging training initiative in China to coincide with the construction of the Tiexi plant at the Shenyang site, enabling 464 apprentices to begin their working careers. Within the framework of the national pact for training new skilled workers, the BMW Group provides 55 underachieving school leavers in Germany with the opportunity to qualify for an apprenticeship. The success of this programme is borne out by the fact that almost two-thirds of the young people participating in the programme go on to receive a training contract.

BMW Group Apprentices at 31 December



Greater promotion of young talent

In 2011 we increased the range of opportunities available to talented young people. The BMW Group's existing Bachelor and Doctorate programmes, SpeedUp and ProMotion, have been complemented by the addition of the new Fast Lane programme – a practice-oriented stipend for students working towards a Master's degree. The introductory training programme Drive has been completely renewed and, from 2012 onwards, will provide even greater opportunities to newcomers to the BMW Group. An international option has been added to the existing Group Graduate Trainee Programme in order to secure prospective management staff.

Employee training as an investment in the future

Expenditure on basic and further training rose sharply by 37.4 % in the period under report to €246 million. A brand new BMW Group Training Centre for Electromobility was opened in Munich in May 2011 to meet future vehicle development requirements. The courses

BMW Group Employees

	31.12.2011	31.12.2010	Change in %
Automobiles	**91,517**	88,468	3.4
Motorcycles	**2,867**	2,814	1.9
Financial Services	**5,801**	4,053	43.1
Other	**121**	118	2.5
BMW Group	**100,306**	**95,453**	**5.1**

held there impart theoretical knowledge as well as practical skills.

In cooperation with the TU Munich and Ingolstadt University, sandwich courses combining work with study have been designed for employees with academic or vocational qualifications in technical subjects. Plans are in place to expand this system to other vocational areas.

Attractiveness as employer confirmed

The BMW Group continued to be a highly attractive employer in 2011. This conclusion is based on numerous studies and rankings tables. This year's edition of the study entitled "The World's Most Attractive Employers", published by the Universum agency, confirmed the BMW Group's top position as the most attractive German employer, achieving top spot amongst car manufacturers both with engineering and business studies students. In the German version of Universum's Professional Barometer 2011 we also took first place in the Business and Engineering category as well as third place in the Information Technology category.

Excellence in leadership through training and dialogue

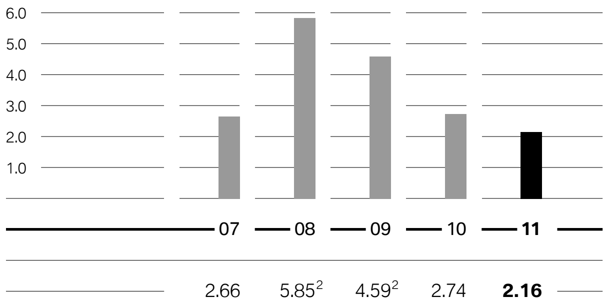
Achieving excellence in leadership remains a vital factor in the implementation of Strategy Number ONE and plays an important part in the long-term success of the BMW Group. As well as offering a wide range of training courses to managerial staff worldwide, it is also considered important that managers should have the opportunity to engage in dialogue.

With this in mind, the so-called Management Meeting Place (Treffpunkt Führung) was set up in Germany in 2011 as a platform for discussion at management level, enabling managers to share their experiences and thus develop a common understanding of leadership and management. The response has been so positive that moves have already been made to transfer the concept to locations abroad.

In addition to this focus on dialogue, increasing emphasis is being given to developing the individual expertise and skills of managers. Special in-house programmes developed to enable managers to make the most of their potential are useful in preparing them for their future tasks and functions in an increasingly complex and volatile environment.

Employee attrition ratio at BMW AG[1]

as a percentage of workforce



[1] Number of employees on unlimited employment contracts leaving the Company
[2] After implementation of previously reported measures to reduce the size of the workforce (voluntary employment contract termination agreements)

Developing acquisition skills and expertise management

The BMW Group is facing up to demographic challenges in industrialised countries with a range of well-focused initiatives. Employees are given basic and further training for specific tasks in order to cover future requirements. The Talent Relationship Management programme also ensures that the BMW Group will continue to be endowed with a pool of highly qualified employees.

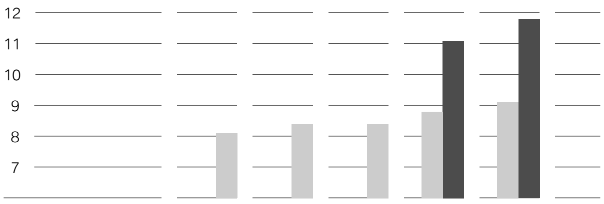
Diversity as a competitive factor

Social diversity is one of the principal components of our sustainability strategy and contributes substantially to the good performance of the BMW Group. In order to encourage diversity within the BMW Group, we have established three criteria (gender, cultural background and age/experience) which serve as orientation points throughout the organisation, whilst also taking account of local conditions.

In 2011, together with all other DAX-30 companies, the BMW Group undertook a voluntary commitment to increase the proportion of women in managerial positions. In this context, we have set target corridors for all sections of the enterprise. The proportion of women grew during the year under report, particularly among newly recruited staff. The proportion of female participants in the international BMW Group Graduate Programme rose, for instance, from 20% to 37.3%. The trend is also positive for newcomers in technical vocations

Proportion of non-tariff female employees at BMW AG / BMW Group*

in %



	07	08	09	10	11
BMW AG	8.1	8.4	8.4	8.8	**9.1**
BMW Group				11.1	**11.8**

* Percentage calculated for the BMW Group since 2010

(16.8 %) and dual vocational training courses leading to entrance qualification for university (16.0 %). The percentage of women taking part in graduate entrance schemes rose to 18.4 %.

This positive trend with regard to the number of women generally, and the proportion of females in non-tariff positions, was maintained in 2011. Overall, the proportion of women rose to 13.5 % for BMW AG and to 16.1 % across the BMW Group. Amongst non-tariff employees, the proportion of women rose to 9.1 % for BMW AG and 11.8 % for the BMW Group.

Recognition for social commitment

In 2011 the BMW Group honoured to selected members of the workforce in recognition of their commitment to social causes, paying tribute to the fact that employees also volunteer their time and effort outside the workplace. During the award ceremony €20,000 was donated in support of four specific causes. A special award of €5,000 for young people was also presented by the Doppelfeld Stiftung.

SUSTAINABILITY

Sustainable business practices along the value-added chain

The BMW Group's sustainability strategy applies worldwide and in all areas of the enterprise. The Sustainability Board, to which all members of the Board of Management belong, determines the BMW Group's long-term sustainability strategy and monitors the progress made.

Sustainability is defined as a corporate objective and is a component of the BMW Group's Balanced Scorecard. Each project is assessed according to consumption of resources and emissions as well as its social and sociopolitical impact. Sustainability management also involves the continuous and systematic analysis of external conditions and the consideration of social and ecological aspects in the decision-making process. We also participate in an intensive dialogue with our stakeholders. Stakeholder dialogues held in New York and Leipzig in 2011 provided useful inputs to enable us to assess external conditions.

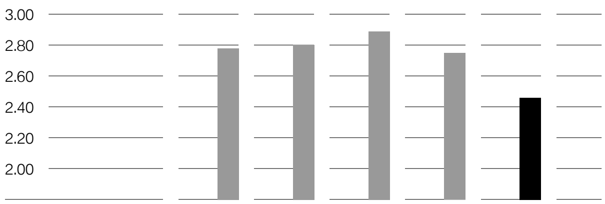
As a provider of premium cars and services, it is our goal to remain market leader in the development of sustainable individual mobility solutions. This goal was again achieved in 2011 and reconfirmed by an independent source: the BMW Group remains the automotive sector leader for the seventh consecutive year in the Dow Jones Sustainability Index family.

Clean production: targets reached

Our all-embracing approach to environmental management helps us to reduce the consumption of resources and the adverse impact of production processes on the environment. Our target is to reduce the consumption of resources and emission levels per vehicle produced by 30 % over the period from 2006 to 2012. Parameters measured in this context include energy and water consumption, process wastewater, solvent emissions and waste for disposal – expressed in terms of "per vehicle

Energy consumed per vehicle produced

in MWh / vehicle



07	08	09	10	11
2.78	2.80	2.89	2.75	**2.46**

produced". We also measure the level of CO_2 emissions resulting from energy consumption.

In the year under report we succeeded in reducing both consumption of resources and emissions per vehicle produced by an average of 8 percentage points. In terms of resource efficiency, the average improvement since 2006 has been 32 %.

Energy efficiency further improved

Each production site throughout the BMW Group is required to use the most ecologically and economically sustainable energy resource available to it. In 2011, CO_2 emissions per vehicle produced decreased by 17.4 % to 0.71 tons. This was achieved primarily by increasing the use of energy from renewable sources and improving the energy mix. We were also able to further improve energy efficiency levels during the year under report. The energy consumption per vehicle produced was reduced from 2.75 MWh to 2.46 MWh (– 10.5 %).

Water consumption per vehicle reduced

We also managed to reduce the amount of water consumed per vehicle produced in 2011 by 8.2 % to 2.12 m³ (2010: 2.31 m³). The amount of process wastewater per vehicle produced decreased by 6.9 % to 0.54 m³ (2010: 0.58 m³). The improvement was favoured by capacity utilisation levels, an improved water management system and innovative, water-saving painting processes.

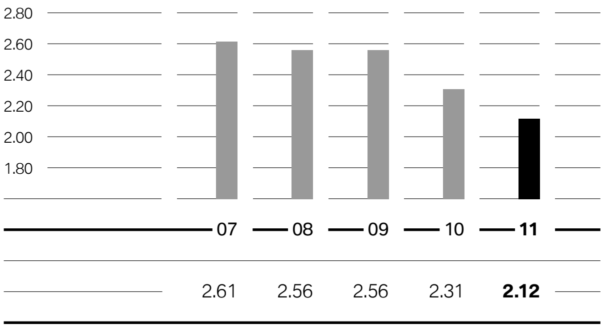
Less waste for disposal

The amount of non-recyclable waste from production processes was reduced by 20.8 % to 7.99 kg per vehicle produced in 2011. The main factor for this improvement was the extension of our high standards for recycling processes, previously only valid for our European plants, to all other plants worldwide.

Solvent emission levels rose slightly and averaged 1.65 kg per vehicle produced (2010: 1.60 kg), largely due to the

Water consumption* per vehicle produced

in m³/vehicle



* The indicators for water consumption refer to the production sites of the BMW Group. The water consumption includes the process water input for the production as well as the general water consumption e.g. for sanitation facilities.

increased volume of production in China, where the new painting processes were not yet available.

Efficient transport logistics

The regional shift of sales volume caused changes in the proportion of goods transported by the various modes. As a consequence of the natural catastrophe in Japan, the percentage of goods transported by air rose to 1.0 %. The percentage transported by sea decreased marginally from 79.9 % to 78.9 %. The equivalent percentages for transport by rail increased to 8.2 % (2010: 6.3 %) and decreased for road transport to 11.9 %. In total, 53.1 % of all new cars left the Group's plants by rail (+ 3.6 percentage points).

Sustainability in the value-added chain

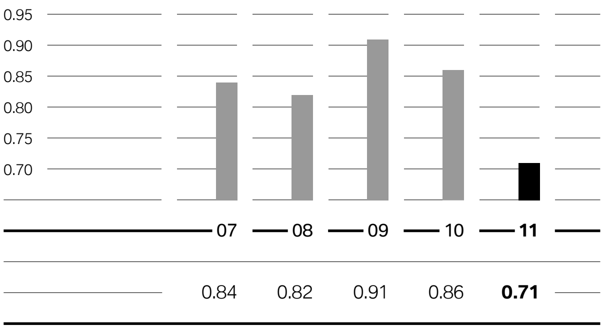
We also place great emphasis on compliance with sustainability criteria when it comes to selecting suppliers. Further information on this topic is provided in the "Purchasing" section.

Reducing CO_2 levels with Efficient Dynamics

The decision to reduce fuel consumption and emissions with our Efficient Dynamics concept was taken at an early

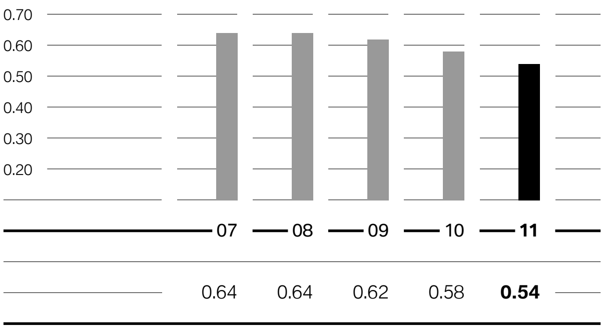
CO_2 emissions per vehicle produced

in t/vehicle



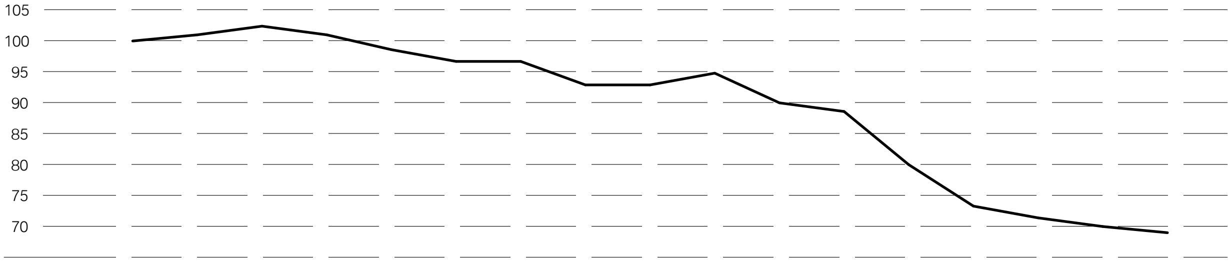
Process wastewater per vehicle produced

in m³/vehicle



Development of CO_2 emissions of BMW Group cars in Europe

(Index: 1995 = 100; Basis: fleet consumption of newly registered cars in Europe (EU-15) measured on the basis of the New European Driving Cycle in accordance with the ACEA self-commitment)



95	96	97	98	99	00	01	02	03	04	05	06	07	08	09*	10	**11**
100.0	101.0	102.4	101.0	98.6	96.7	96.7	92.9	92.9	94.8	90.0	88.6	80.0	73.3	71.4	70.0	**69.0**

* Measured only on EU-27 basis with effect from 2009

stage. The innovative efficiency technologies developed in conjunction with Efficient Dynamics are being continually integrated in all models manufactured by the BMW Group. In a second step, the BMW Group is additionally improving fuel economy by gradually introducing electric power combined with a comprehensive range of hybrid solutions. From 2013 onwards, our portfolio will be expanded by electric drive systems used in products of the BMW i sub-brand. In addition, we remain committed in the long term to the use of renewably produced hydrogen. This strategy will ensure that we will continue to be able to meet stipulated CO_2 and fuel consumption threshold values in the years to come.

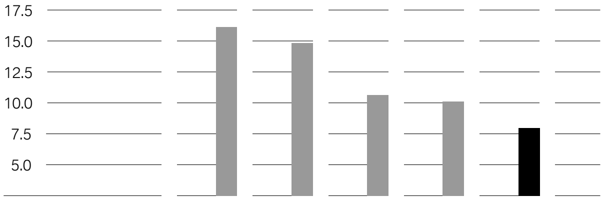
Between 1995 and 2011 we reduced the CO_2 emissions of our newly sold cars in Europe by more than 30 %. Our vehicle fleet in 2011 had an average fuel consumption of 5.3 litres of diesel/100 km or 6.6 litres of petrol/100 km and average CO_2 emissions of 145 g/km in Europe (EU-27). We also lead the field among German premium-segment manufacturers with CO_2 emissions of 151 g/km. Efficient Dynamics has given us a competitive edge, particularly in markets where a CO_2-based vehicle tax applies. It remains our goal to reduce the CO_2 emissions of our vehicle fleet by at least another 25 % between 2008 and 2020.

Sustainable mobility for the future

The demand for alternatively powered vehicles using electric or hybrid technology is growing all the time. It is also becoming apparent that the premium brands of the future are being increasingly defined by their degree of sustainability. The BMW Group has recognised these trends. We have reacted to changed customer needs by introducing a separate sub-brand. Further information on this topic can be found in the "Research and development" section.

Waste for disposal per vehicle produced

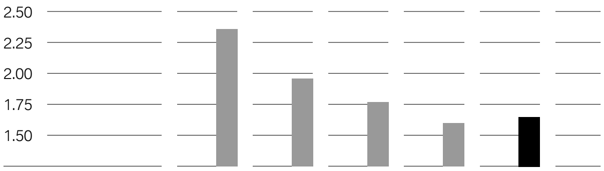
in kg/vehicle



07	08	09	10	**11**
16.17	14.84	10.63	10.09	**7.99**

Volatile organic compounds (VOC) per vehicle produced

in kg/vehicle



07	08	09	10	**11**
2.36	1.96	1.77	1.60	**1.65**

Debt crisis unnerves stock markets

Stock markets around the world came under pressure in 2011 as a result of the debt crisis in the euro zone and concerns about the US economy. Unlike in 2010, the German stock index, the DAX, was not impervious to these developments in 2011 and dropped sharply over the course of 2011 against a background of high volatility. The advances made during the first six months of the year could not be sustained in the second half of the year. The 2011 stock market year came to an end with the index down by 14.7 % at 5,898 points. In May the DAX reached its high for the year at 7,600 points. The European debt crisis caused the index to tumble by some 30 % during the period from July to September. At 4,966 points, the index's low for the year was recorded in September. The aversion of investors to finance-related securities and economy-sensitive stocks became particularly evident in the second half of the year, as reflected in the performance of the Prime Automobile Index. After a strong start, the sector index lost 161 points during the period under report, finishing the year at 688 points (– 19.0 %). The EURO STOXX 50 performed just as weakly, dropping 17.0 % in value to 2,317 points.

BMW stocks were also affected by these negative market developments in the second half of 2011 and accordingly marked down. BMW common stock closed at €51.76 on the last day of trading in 2011, 12.0 % lower than one year earlier. In July it had reached a new all-time high of €73.85 and in October recorded its low for the year at €43.49. BMW preferred stock held up a little better, losing only 5.1 % in value compared to its closing price at the end of the previous year. It finished the stock market year at €36.55, compared to its high of €46.05 in July.

Employee share programme

BMW AG has enabled its employees to participate in its success for more than 30 years. Since 1989 this participation has taken the form of an employee share programme. In total, 408,140 shares of preferred stock were issued to employees in 2011 as part of this programme.

In accordance with a resolution taken by the Board of Management on 15 November 2011 and with the approval of the Supervisory Board, the share capital was increased by €407,960 from €655,158,608 to €655,566,568 by the issue of 407,960 new non-voting shares of preferred stock. This increase was executed on the basis of Authorised Capital 2009 in Article 4 (5) of the Articles of Incorporation. The new shares of preferred stock carry the same rights as existing shares of preferred stock and were issued to enable employees to obtain an equity participation in the Company. Shares of preferred stock were also bought back via the stock market in order to service the employee share programme.

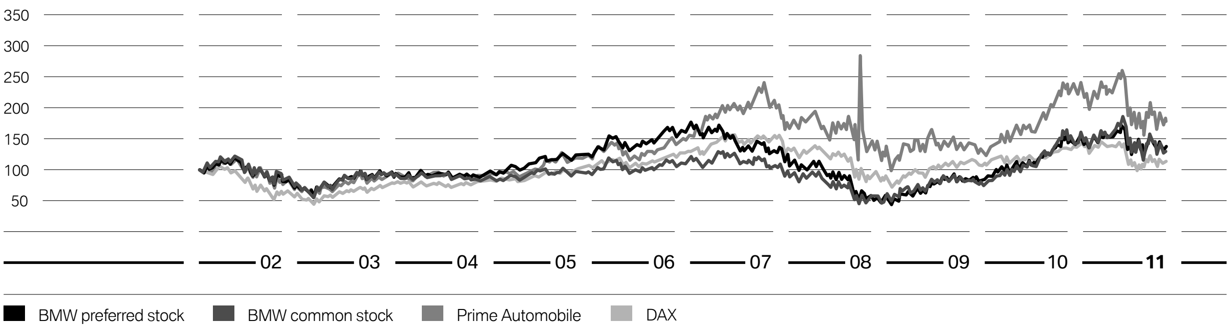
Top-level ratings

BMW AG's long-term and short-term ratings were raised by one level in July 2011 by the rating agency Moody's from A3/P-2 to A2/P-1 with a stable outlook. In September 2011 the rating agency Standard & Poor's confirmed BMW AG's rating of A–/A-2 and raised the outlook from stable to positive. This resulted in BMW AG currently having the best ratings of all European car manufacturers.

The improved ratings and outlook reflect the worldwide rise in demand for our products, the successful implementation of measures in conjunction with Strategy Number ONE and the stable financial position of the

Development of BMW stock compared to stock exchange indices

(Index: 29 December 2001 = 100)



BMW Group. Strong creditworthiness underlined by good ratings, a strong set of financial indicators and investor confidence all contributed to ensuring that the BMW Group continued to have excellent access to the world's capital markets.

BMW Group is sector leader in the Dow Jones Sustainability Index World for the seventh year

In September 2011 the rating agency SAM named the BMW Group as sector leader in the Dow Jones Sustainability Index World and Europe for the seventh time in succession. In addition to extolling the BMW Group's clear sustainability strategy and the way it implements that strategy along the entire value-added chain, SAM's analysts this year also highlighted the importance of personnel-related policies which focus attention on employees as the key to success. They cited, among other things, the BMW Group's convincing remuneration systems and the extensive range of training opportunities offered to employees. The BMW Group is the only enterprise in the car manufacturing sector to have been represented continuously in this important group of sustainability indices since their inception in 1999.

In November 2011 the BMW Group won the DuMont DWS Prize for Responsible Business Practices presented by the DuMont Group and DWS Investments. We took first place out of 104 companies selected from the main German indices. The BMW Group also qualified again for inclusion in the renowned FTSE4Good Index in 2011.

In conjunction with the annual evaluation of the Carbon Disclosure Project (CDP) – a co-operative initiative of 551 globally active institutional investors – the BMW Group performed better than ever thanks to its transparent reporting and exemplary contribution to environmental protection. With a score of 96 out of a possible 100 points, the BMW Group is listed in the Carbon Disclosure Leadership Index (CDLI). It is also included in the Carbon Performance Leadership Index

BMW stock

	2011	2010	2009	2008	2007
Common stock					
Number of shares in 1,000	**601,995**	601,995	601,995	601,995	601,995
Stock exchange price in €[1]					
Year-end closing price	**51.76**	58.85	31.80	21.61	42.35
High	**73.52**	64.80	35.94	42.73	50.73
Low	**45.04**	28.65	17.61	17.04	39.81
Preferred stock					
Number of shares in 1,000	**53,571**	53,163	52,665	52,196	52,196
Shares bought back at the reporting date	**–**	–	–	363	–
Stock exchange price in €[1]					
Year-end closing price	**36.55**	38.50	23.00	13.86	36.30
High	**45.98**	41.90	24.79	36.51	47.52
Low	**32.01**	21.45	11.05	13.00	33.64
Key data per share in €					
Dividend					
Common stock	**2.30**[2]	1.30	0.30	0.30	1.06
Preferred stock	**2.32**[2]	1.32	0.32	0.32	1.08
Earnings per share of common stock[3]	**7.45**	4.93[5]	0.31	0.49	4.78
Earnings per share of preferred stock[4]	**7.47**	4.95[5]	0.33	0.51	4.80
Cash flow	**10.80**	12.45	7.53	6.84	9.70
Equity	**41.34**	36.53[5]	30.42	30.99	33.24

[1] Xetra closing prices
[2] Proposed by management
[3] Annual average weighted amount
[4] Stock weighted according to dividend entitlements
[5] Adjusted for effect of change in accounting policy for leased products as described in note 8

(CPLI). In the CDP Global 500 ranking, the BMW Group is the number one automotive manufacturer and ranks in the Top Ten of all participating international companies.

Emphasis on sustainability and closer contacts with international investors

The dialogue with investors and analysts interested in sustainable investments was continued in 2011. Our contacts with sustainability-oriented investors were expanded in a variety of ways, including the so-called "stakeholder dialogues" held in New York and Leipzig. Capital-market days for sustainability-oriented investors were organised in autumn 2011 for the first time in New York and Munich, at which we presented our extensive sustainability activities as well as the BMW i3 and i8 concept vehicles.

The BMW Group has strengthened its communication channels with investors and analysts. In addition to holding numerous discussions in Germany, contacts with investors were also increased internationally in a series of roadshows and conferences. In response to interest shown by Chinese investors and the growing importance of the Chinese capital market, discussions with investors were held for the first time in Hong Kong, Beijing and Shanghai. The BMW Group won further awards in 2011 for its capital market communication activities from Thomson-Extel, Institutional Investor and IR Magazine.

Composition of subscribed capital

The subscribed capital (share capital) of BMW AG amounted to €655,566,568 at 31 December 2011 (2010: €655,158,608) and, in accordance with Article 4 (1) of the Articles of Incorporation, is subdivided into 601,995,196 shares of common stock (91.83 %) (2010: 601,995,196; 91.89 %) and 53,571,372 shares of non-voting preferred stock (8.17 %) (2010: 53,163,412; 8.11 %), each with a par value of €1. The Company's shares are issued to bearer. The rights and duties of shareholders derive from the German Stock Corporation Act (AktG) in conjunction with the Company's Articles of Incorporation, the full text of which is available at www.bmwgroup.com. The right of shareholders to have their shares evidenced in writing is excluded in accordance with the Articles of Incorporation. The voting power attached to each share corresponds to its par value. Each €1 of par value of share capital represented in a vote is entitled to one vote (Article 18 (1) of the Articles of Incorporation). The Company's shares of preferred stock are non-voting within the meaning of § 139 et seq. AktG, i.e. they only confer voting rights in exceptional cases stipulated by law, in particular when the preference amount has not been paid or has not been fully paid in one year and the arrears are not paid in the subsequent year alongside the full preference amount due for that year. With the exception of voting rights, holders of shares of preferred stock are entitled to the same rights as holders of shares of common stock. Article 24 of the Articles of Incorporation confers preferential treatment to the non-voting shares of preferred stock with regard to the appropriation of the Company's unappropriated profit. Accordingly, the unappropriated profit is required to be appropriated in the following order:

[1] Disclosures pursuant to § 289 (4) HGB and § 315 (4) HGB

(a) subsequent payment of any arrears on dividends on non-voting preferred shares in the order of accruement,
(b) payment of an additional dividend of €0.02 per €1 par value on non-voting preferred shares and
(c) uniform payment of any other dividends on shares of common and preferred stock, provided the shareholders do not resolve otherwise at the Annual General Meeting.

Restrictions affecting voting rights or the transfer of shares

As well as shares of common stock, the Company has also issued non-voting shares of preferred stock. Further information relating to this can be found above in the section "Composition of subscribed capital".

When the Company issues non-voting shares of preferred stock to employees in conjunction with its employee share scheme, these shares are subject to a company-imposed vesting period of four years, measured from the beginning of the calendar year in which the shares are issued. During this time the shares may not be sold.

Contractual holding period arrangements also apply to shares of common stock required to be acquired by Board of Management members in conjunction with the share-based remuneration scheme (see also note 47 for further information).

Direct or indirect investments in capital exceeding 10 % of voting rights

Based on the information available to the Company, the following direct or indirect holdings exceeding 10 % of the voting rights at the end of the reporting period were held at the date stated:[2]

	Direct share of voting rights (%)	Indirect share of voting rights (%)
Stefan Quandt, Bad Homburg v. d. Höhe, Germany		17.4
AQTON SE, Bad Homburg v. d. Höhe, Germany		17.4
Stefan Quandt Verwaltungs GmbH, Bad Homburg v. d. Höhe, Germany		17.4
Stefan Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe, Germany	17.4	
Johanna Quandt, Bad Homburg v. d. Höhe, Germany	0.4	16.3
Johanna Quandt GmbH, Bad Homburg v. d. Höhe, Germany		16.3
Johanna Quandt GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe, Germany	16.3	
Susanne Klatten, Munich, Germany		12.6
Susanne Klatten Beteiligungs GmbH, Bad Homburg v. d. Höhe, Germany		12.6
Susanne Klatten GmbH, Bad Homburg v. d. Höhe, Germany		12.6
Susanne Klatten GmbH & Co. KG für Automobilwerte, Bad Homburg v. d. Höhe, Germany	12.6	

[2] Based on voluntary balance notifications provided by the listed shareholders at 31 December 2008

The voting power percentages disclosed above may have changed subsequent to the stated date if these changes were not required to be reported to the Company. Due to the fact that the Company's shares are issued to bearer, the Company is generally only aware of changes in shareholdings if such changes are subject to mandatory notification rules.

Shares with special rights which confer control rights
There are no shares with special rights which confer control rights.

Nature of control over voting rights when employees participate in capital and do not exercise their control rights directly
The shares issued in conjunction with the employee share programme are shares of non-voting preferred stock which are transferred solely and directly to employees. Like all other shareholders, employees exercise their control rights over these shares on the basis of relevant legal provisions and the Company's Articles of Incorporation.

Statutory regulations and Articles of Incorporation provisions with regard to the appointment and removal of members of the Board of Management and changes to the Articles of Incorporation
The appointment or removal of members of the Board of Management is based on the rules contained in § 84 et seq. AktG in conjunction with § 31 of the German Co-Determination Act (MitbestG).

Amendments to the Articles of Incorporation must comply with § 179 et seq. AktG. All amendments must be resolved by the shareholders at the Annual General Meeting (§ 119 (1) no. 5, § 179 (1) AktG). The Supervisory Board is authorised to approve amendments to the Articles of Incorporation which only affect its wording (Article 14 no. 3 of the Articles of Incorporation); it is also authorised to change Article 4 of the Articles of Incorporation in line with the relevant utilisation of Authorised Capital 2009. Resolutions are passed at the Annual General Meeting by simple majority of shares unless otherwise explicitly required by binding provisions of law or, when a majority of share capital is required, by simple majority of shares represented in the votes cast (Article 20 of the Articles of Incorporation).

Authorisations given to the Board of Management in particular with respect to the issuing or buying back of shares
The Board of Management is authorised to buy back shares and sell repurchased shares in situations specified in § 71 AktG, e.g. to avert serious and imminent damage to the Company and/or to offer shares to persons employed or previously employed by BMW AG or one of its affiliated companies. In accordance with Article 4 (5) of the Articles of Incorporation, the Board of Management is authorised – with the approval of the Supervisory Board – to increase BMW AG's share capital during the period until 13 May 2014 by up to €3,624,790 for the purposes of an employee share programme by issuing new non-voting shares of preferred stock, which carry the same rights as existing non-voting preferred stock, in return for cash contributions (Authorised Capital 2009). Existing shareholders may not subscribe to the new shares. There is no conditional capital in place at the reporting date.

Significant agreements entered into by the Company subject to control change clauses in the event of a takeover bid
BMW AG is party to the following major agreements which contain provisions for the event of a change in control or the acquisition of control as a result of a takeover bid:

- An agreement concluded with an international consortium of banks relating to a syndicated credit line (which was not being utilised at the balance sheet date) entitles the lending banks to give extraordinary notice to terminate the credit line (such that all outstanding amounts, including interest, would fall due immediately) if one or more parties jointly acquire direct or indirect control of BMW AG. The term "control" is defined as the acquisition of more than 50 % of the share capital of BMW AG, the right to receive more than 50 % of the dividend or the right to direct the affairs of the Company or appoint the majority of members of the Supervisory Board.
- A cooperation agreement concluded with Peugeot SA relating to the joint development and production of a new range of small (1 to 1.6 litre) petrol-driven engines entitles each of the cooperation partners to give extraordinary notification of termination in the event of a competitor acquiring control over the other contractual party and if any concerns of the other contractual party concerning the impact of the change of control on the cooperation arrangements are not allayed during the subsequent discussion process.
- BMW AG acts as the guarantor for all of the obligations arising from the joint venture agreement relating to BMW Brilliance Automotive Ltd. in China. This agreement grants an extraordinary right of termination to either joint venture partner in the event that, either directly or indirectly, more than 25 % of the shares of the other party are acquired by a third party

or the other party is merged with another legal entity. The termination of the joint venture agreement may result in the sale of the shares to the other joint venture partner or in the liquidation of the joint venture entity.

– Regarding the trading of derivative financial instruments, framework agreements are in place with financial institutions and banks (ISDA Master Agreements), each of which contain extraordinary rights of termination which trigger the immediate settlement of all current transactions, in the event that the creditworthiness of the respective party is materially weaker following the direct or indirect acquisition of beneficial ownership of equity securities having the power to elect a majority of the Supervisory Board of a contractual party or any other ownership interest enabling the acquirer to exercise control of a contractual party or a merger or transfer of assets.
– Financing agreements in place with the European Investment Bank (EIB) entitle the EIB to request early repayment of the loans in the event of an imminent or actual change in control at the level of BMW AG (which is in most cases the guarantor, in two cases, however, the borrower), if the EIB has reason to assume – either after the change of control has taken place or 30 days after it has requested to discuss the situation – that the change in control could have a significantly adverse impact, or if – as stated in three of the contracts – the borrower refuses to hold such discussions. A change in control of BMW AG arises if one or more individuals take over or lose control of BMW AG, with control being defined in the above-mentioned financing agreements as (i) holding or having control over more than 50 % of the voting rights, (ii) the right to stipulate the majority of the members of the Board of Management or Supervisory Board, or (iii) the right to receive more than 50 % of dividends payable, and, in two cases as an additional alternative (iv) other comparable controlling influence over BMW AG.
– BMW AG is party to an agreement with SGL Carbon SE, Wiesbaden, relating to the joint ventures SGL Automotive Carbon Fibers LLC, Delaware, USA, and SGL Automotive Carbon Fibers GmbH & Co. KG, Munich. The agreement includes call and put rights in the event that 50 % or more of the voting rights relating to the relevant other shareholder of the joint venture are either directly or indirectly acquired by a third party, or in the event that 25 % of such voting rights are acquired by a third party who is a competitor of the party not affected by the acquisition of voting rights. In the event of such acquisitions of voting rights by a third party, the non-affected shareholder has the right to purchase the affected shareholder's shares in the joint venture or to demand the sale of its own shares in the joint venture to the affected shareholder.
– BMW AG is party to an agreement with Peugeot SA, Paris, relating to the joint venture BMW Peugeot Citroën Electrification B.V., the Netherlands. The agreement includes call and put rights in the event that 50 % or more of the voting rights relating to the relevant other shareholder of the joint venture are either directly or indirectly acquired by a third party, or in the event that one-third of such voting rights are acquired by a third party who is a competitor of the party not affected by the acquisition of voting rights. In the event of such acquisitions of voting rights by a third party, the non-affected shareholder has the right to purchase the affected shareholder's shares in the joint venture or to demand the sale of its own shares in the joint venture to the affected shareholder.
– An engine supply agreement between BMW AG and Toyota Motor Europe SA relating to the sale of diesel engines entitles each of the contractual parties to give extraordinary notification of termination in the event that one of the contractual parties merges with another company or is taken over by another company.

Compensation agreements with members of the Board of Management or with employees in the event of a takeover bid

The BMW Group has not concluded any compensation agreements with members of the Board of Management or with employees for situations involving a takeover bid.

Group Internal Management System
It is an important aspect of corporate culture within the BMW Group to take account of diverse interests on the broadest possible basis. This also includes the requirements of capital providers. The value-based management approach adopted by the BMW Group aims to meet those requirements. Only companies generating profits on a sustainable basis that exceed the cost of equity and debt capital employed are capable of ensuring continuous growth, an increase in value for capital providers, jobs and, in the final analysis, corporate independence. In this context, the most comprehensive financial indicator is value added which reflects the amount of earnings over and above the cost of capital.

Value added Group = earnings amount – cost of capital = earnings amount – (cost of capital rate × capital employed)

As an alternative, value added can also be derived on the basis of the return on capital employed (RoCE).

Value added Group = (RoCE Group – cost of capital rate) × capital employed

in € million	Earnings amount 2011	Earnings amount 2010*	Cost of capital (EC + DC) 2011	Cost of capital (EC + DC) 2010*	Value added Group 2011	Value added Group 2010*
BMW Group	**7,637**	5,220	**3,575**	3,286	**4,062**	1,934

* Adjusted for effect of change in accounting policy for leased products as described in note 8

A positive value added means that a company is earning more than its cost of capital. An increase or decrease in value added is therefore an important measure of financial success.

Cost of capital percentage for employed capital
The cost of capital percentage is calculated as a weighted average of equity and debt capital costs using the standard weighted average cost of capital (WACC) approach.

The cost of equity capital is determined using the capital asset pricing model (CAPM) and is based on the risk-free interest rate plus the risk premium required by investors. The risk premium, in turn, is calculated on the basis of the market risk premium and a beta factor, the latter reflecting the volatility of stock in relation to the market.

The cost of debt capital is calculated as the average interest rate relevant for long-term debt and pension obligations. The average cost of capital is calculated on the basis of a long-term targeted capital structure, thus ensuring stability in the way the business is managed in the long term.

Cost of capital rate (before tax)

in %	2011	2010
BMW Group	**12**	12

Return on capital used to measure performance on a periodic basis
Specific earnings and rate of return indicators are used to manage operational performance at segment and Group level and to measure performance by reporting period. The period-related targets are monitored and managed on a long-term basis in order to ensure that earnings can develop at a steady pace. In line with the method applied at Group level, the RoCE is used as a rate of return indicator for the Automotive and Motorcycles segments. The Financial Services segment is managed on the basis of the return on equity (RoE). The RoE performance indicator is important for the value-based management of the Financial Services segment because it focuses on equity as a resource with limited availability and puts the efficient utilisation of capital at the forefront.

$$\text{RoCE Group} = \frac{\text{Profit before interest expense and tax}}{\text{Capital employed}}$$

$$\text{RoCE Automobiles and Motorcycles} = \frac{\text{Profit before financial result}}{\text{Capital employed}}$$

$$\text{RoE Financial Services} = \frac{\text{Profit before tax}}{\text{Equity capital}}$$

Group RoCE is measured by dividing earnings for RoCE purposes by the average amount of capital employed. In this context, capital employed comprises group equity, pension provisions and the financial liabilities of the Automotive and Motorcycles segments.

The average level of capital employed for a particular year is measured as the average capital employed at the beginning of the year, at quarter-ends and at the end of the year. In line with the computation of employed capital, earnings for RoCE purposes is defined as profit before interest expense incurred in conjunction with the pension provision and the financial liabilities of the Automotive and Motorcycles segments (profit before interest expense and taxes).

The RoCE of the Automotive and Motorcycles segments is measured on the basis of the profit before financial result and the average level of capital employed. The latter comprises all current and non-current operational assets less liabilities that do not incur interest (e.g. trade payables). Based on the cost of capital as a minimum rate of return and comparisons with competitive market values, the target RoCE for the Automotive and Motorcycles segments has been set at a minimum of 26%.

Capital employed by Automotive segment

in € million

	2011	2010
Operational assets	**29,323**	27,787
less: Non-interest-bearing liabilities	**19,651**	16,948
Capital employed	**9,672**	**10,839**

Return on capital employed

	Earnings for RoCE purposes in € million		Capital employed in € million		Return on capital employed in %	
	2011	2010*	**2011**	2010*	**2011**	2010*
BMW Group	**7,637**	5,220	**29,788**	27,381	**25.6**	19.1
Automobiles	**7,477**	4,355	**9,672**	10,839	**77.3**	40.2
Motorcycles	**45**	71	**442**	394	**10.2**	18.0

* Adjusted for effect of change in accounting policy for leased products as described in note 8

RoE is defined as the profit before taxes divided by the average amount of equity capital allocated to the Financial Services segment. The target is a sustainable return on equity of at least 18%.

Return on equity

	Profit before tax in € million		Equity in € million		Return on equity in %	
	2011	2010	**2011**	2010	**2011**	2010
Financial Services	**1,790**	1,214	**6,084**	4,654	**29.4**	26.1

Value management in the context of project management

The Automotive and Motorcycles segments are managed on the basis of product projects on the one hand and process and infrastructure projects on the other, all of which are subject to the framework set by the Group's forecasts by period. The project decision and related project selection are important aspects of our value-based management approach. Project decisions are taken on the basis of rates of return and net present values (NPVs), supplemented by a standardised approach to assessing opportunities and risks. Internal project rates of return (model rates of return in the case of vehicle projects) and capital values are measured on the basis of cash flows. Model rates of return are also compared with competitive market values.

In this way, the amount a project will contribute to the total value of the segment can be measured when the project decision is taken. Targets and performance are controlled on the basis of individual cash-flow-related parameters.

Long-term creation of value

The overall target set for earnings is continuous growth. The minimum rate of return set for each line of business is used as the relevant parameter. These periodic targets are supplementary to project and programme targets.

The impact on the rate of return by model and on long-term periodic earnings is documented for all project decisions. The fact that the performance indicators are also taken into account ensures consistency within the target and management model. This approach allows an analysis of the effect of each project decision on earnings and rates of return. Multi-project planning data resulting from these procedures allows ongoing comparison between periodic and multi-period performance.

Earnings performance*

The 2011 financial year was an excellent one for the BMW Group, with sales volume, revenues and earnings figures all at record levels. Thanks to this fine performance, the BMW Group remains the world's leading manufacturer of premium cars. Earnings benefited in particular from a high-value model mix, our strong market position and further efficiency improvements.

The BMW Group recorded a net profit of €4,907 million (2010: €3,243 million) for the financial year 2011. The post-tax return on sales was 7.1 % (2010: 5.4 %). Earnings per share of common and preferred stock were €7.45 and €7.47 respectively (2010: €4.93 and €4.95 respectively).

Group revenues rose by 13.8 % to €68,821 million (2010: €60,477 million), reflecting in particular the expansion and rejuvenation of the model portfolio on the one hand and dynamic growth in Asia and other emerging markets on the other. Adjusted for exchange rate factors, the increase would have been 14.6 %. Revenues from the sale of BMW, MINI and Rolls-Royce brand cars climbed by 16.9 % on the back of higher sales volumes. Motorcycles business revenues were 10.5 % up on the previous year. Revenues generated with Financial Services activities rose by 5.0 %. Revenues attributable to "Other Entities" were unchanged at €1 million.

Group Income Statement

in € million

	2011	2010*
Revenues	68,821	60,477
Cost of sales	–54,276	–49,545
Gross profit	**14,545**	**10,932**
Sales and administrative costs	–6,177	–5,529
Other operating income	782	766
Other operating expenses	–1,132	–1,058
Profit before financial result	**8,018**	**5,111**
Result from equity accounted investments	162	98
Interest and similar income	763	685
Interest and similar expenses	–943	–966
Other financial result	–617	–75
Financial result	–635	–258
Profit before tax	**7,383**	**4,853**
Income taxes	–2,476	–1,610
Net profit	**4,907**	**3,243**

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Revenues generated by the BMW Group in the Africa, Asia and Oceania regions increased by 25.4 %. Strong economic growth in China gave a 37.3 % boost to revenues. In the Rest of Europe region (i.e. excluding Germany) and the Americas region revenues grew by 12.8 % and 0.8 % respectively. In Germany, where revenues had fallen in the previous year, they rose by 14.7 %.

Group cost of sales increased by 9.5 % to €54,276 million (2010: €49,545 million), rising therefore at a slower rate than revenues. The main factors here were slower increases in manufacturing costs and lower refinancing costs. Gross profit increased as a result by 33.0 % to €14,545 million, giving a gross profit margin of 21.1 % (2010: 18.1 %).

The gross profit margin recorded by the Automotive segment was 20.7 % (2010: 17.4 %) and that of the Motorcycles segment was 15.9 % (2010: 16.0 %). The Financial Services segment's gross profit margin improved by 3.4 percentage points to 14.3 %.

Research and development costs increased by 17.1 % to €3,610 million, in part due to activities related to the electrification of the future product range. As a percentage of revenues, the research and development cost ratio went up by 0.1 percentage point to 5.2 %. Research and development costs include amortisation of capitalised development costs amounting to €1,209 million (2010: €1,260 million). Total research and development expenditure amounted to €3,373 million (2010: €2,773 million). This figure comprises research costs, non-capitalised development costs, capitalised development costs and the systematic amortisation expense relating to capitalised development costs. The research and development expenditure ratio for 2011 was 4.9 % (2010: 4.6 %). The proportion of development costs recognised as assets in 2011 was 28.8 % (2010: 34.3 %).

Sales costs went up due to increased volumes, while administrative costs rose as a result of the higher profit share paid to employees. Overall, costs were up 11.7 % compared to the previous year. As a percentage of revenues, the sales and administrative cost ratio fell by 0.1 percentage points to 9.0 %.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in sales and administrative costs amounted to €3,646 million (2010: €3,682 million).

The net expense reported for other operating income and other operating expenses increased by €58 million to €350 million, mainly as a result of higher allocations to provisions.

As a result of the positive factors referred to above, the profit before financial result amounted to €8,018 million (2010: €5,111 million).

The financial result was a net expense of €635 million, which represented a deterioration of €377 million against the previous year (2010: net expense of €258 million). This development mainly reflected fair value losses incurred on commodity derivatives and on stand-alone interest rate derivatives which caused sundry other financial result to deteriorate by €706 million. The result from investments improved by €164 million, reducing the net expense for the year to €7 million. The previous year's net expense of €171 million was negatively impacted by impairment losses recognised on investments in affiliated companies. Overall, other financial result deteriorated by €542 million to a net expense of €617 million. The result from equity accounted investments improved by €64 million to €162 million. In addition to the Group's share of results from its equity accounted investments in BMW Brilliance Automotive Ltd., Shenyang, and the Cirquent Group, this also includes for the first time the Group's share of results from joint ventures with the SGL Carbon Group, from the two new DriveNow entities and from the newly founded joint venture with Peugeot SA. Within the financial result, the net interest result improved by €101 million.

Taking all these factors into consideration, the profit before tax improved to €7,383 million (2010: €4,853 million). The pre-tax return on sales was 10.7 % (2010: 8.0 %).

Income tax expense amounted to €2,476 million (2010: €1,610 million), resulting in an effective tax rate of 33.5 % (2010: 33.2 %).

Overall, the BMW Group recorded a net profit of €4,907 million (2010: €3,243 million) for the financial year 2011. The post-tax return on sales was 7.1 % (2010: 5.4 %).

Revenues of the Automotive segment rose by 16.8 %, while segment profit before tax jumped to €6,823 million (2010: €3,887 million). Sales volume was 14.2 % up on the previous year.

In the Motorcycles segment, the number of BMW brand motorcycles handed over to customers increased by 6.4 %. Sales of Husqvarna brand motorcycles fell by 23.0 % compared to the previous year. Segment revenues rose by 10.1 %. The segment profit before tax fell by €24 mil-

Revenues by segment

in € million

	2011	2010
Automotive	**63,229**	54,137
Motorcycles	**1,436**	1,304
Financial Services	**17,510**	16,617
Other Entities	**5**	4
Eliminations	**–13,359**	–11,585
Group	**68,821**	**60,477**

Profit / loss before tax by segment

in € million

	2011	2010*
Automotive	**6,823**	3,887
Motorcycles	**41**	65
Financial Services	**1,790**	1,214
Other Entities	**–168**	45
Eliminations	**–1,103**	–358
Group	**7,383**	**4,853**

lion to €41 million as a result of the loss recorded by the Husqvarna Group.

Financial Services segment revenues grew by 5.4 % to €17,510 million. Segment profit before tax improved to €1,790 million (2010: €1,214 million), influenced mainly by lower expense for risk provision in the areas of credit financing and residual values on the one hand and lower refinancing costs on the other. The result also includes the positive effect of exceptional income resulting from the reduction in risk provision for residual value and bad debt risks.

The Other Entities segment recorded a pre-tax loss of €168 million (2010: pre-tax profit of €45 million).

The result from inter-segment eliminations was a net expense of €1,103 million, up from a net expense of €358 million one year earlier, mainly reflecting the higher volume of new leasing business and lower Group production costs.

Financial position*

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 financial years 2010 and 2011, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statements correspond to the amount disclosed in the balance sheet.

Cash flows from operating activities are determined indirectly, starting with Group and segment net profit. By contrast, cash flows from investing and financing activities are based on actual payments and receipts.

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. In previous financial statements, they were presented within cash flows from investing activities. The change in presentation in the Group's Cash Flow Statements has been made with effect from the end of the financial year 2011. Prior year figures have been adjusted accordingly. Cash inflow from operating activities decreased by €4,476 million as a result of this reclassification. Cash outflows for investing activities decreased by the same amount. Cash flows relating to operating leases, where the BMW Group is the lessee, continue to be reported within operating activities. As a result of the change in presentation, changes in leased products are now reported on a net basis within operating activities.

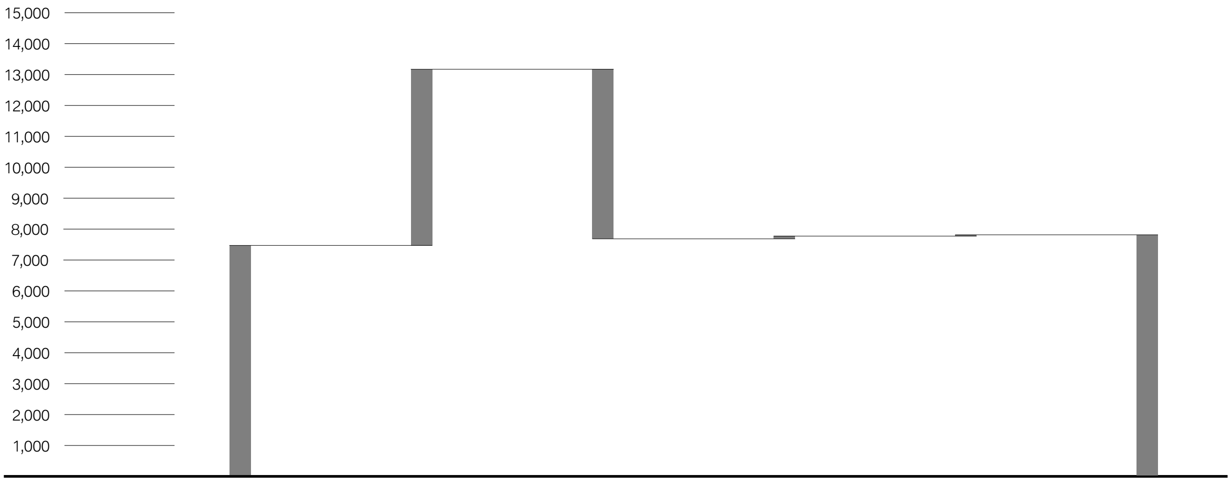
The presentation of receivables from sales financing within the cash flow statement has also been changed in the Group Financial Statements for the year ended 31 December 2011 to ensure that lease and financing transactions are treated consistently. Previously, changes in receivables from sales financing – 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, cash flows from operating activities were €4,856 million lower than reported in the financial year 2010. Cash outflows for investing activities decreased by the same amount. In situations where the BMW Group is the lessee in a finance lease, the relevant components of changes continue to be reported within operating activities and investing activities. As with leased products, changes in receivables from sales financing are now reported on a net basis within operating activities.

Operating activities of the BMW Group generated a positive cash flow of €5,713 million in 2011, an increase of €1,394 million or 32.3 % compared to the previous

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Change in cash and cash equivalents

in € million



Cash and cash equivalents 31.12.2010	Cash inflow from operating activities	Cash outflow from investing activities	Cash inflow from financing activities	Currency translation, changes in Group composition	Cash and cash equivalents 31.12.2011
7,432	**+5,713**	**–5,499**	**+87**	**+43**	**7,776**

year. The increase in net profit to €4,907 million increased cash inflows by €1,664 million. Changes in working capital reduced cash flows from operating activities by €1,212 million, mainly reflecting the effect of stocking-up in conjunction with the introduction of new models. This compared with changes in other operating assets and liabilities (up by €603 million) and the change in non-cash relevant income and expenses (up by €842 million), which resulted in an increase in the cash inflow from operating activities. The change in leased assets and in receivables from sales financing increased cash inflows in 2011 by €512 million compared to the previous year.

The cash outflow for investing activities amounted to €5,499 million and was therefore €309 million higher than in 2010. Capital expenditure on intangible assets and property, plant and equipment resulted in the cash outflow for investing activities increasing by €416 million compared to the previous year. Net cash used in acquiring the ICL Group totalled €595 million. Cash outflows for investments were €463 million higher than in the previous year. By contrast, the net change in marketable securities resulted in a €1,169 million reduction in cash outflows for investing activities.

Financing activities generated a cash inflow of €87 million in 2011, €423 million lower than in the previous year (2010: cash inflow of €510 million). Proceeds from the issue of bonds totalled €5,899 million (2010: €4,578 million), compared with an outflow of €5,333 million (2010: €3,406 million) for the repayment of bonds.

The dividend payment in the financial year 2011 amountes to €852 million (2010: €197 million). The cash inflow for other financial liabilities and commercial paper was €439 million (2010: cash outflow of €260 million).

The cash inflow from operating activities exceeded the cash outflow for investing activities by €214 million in the financial year 2011. In the previous year, there was a shortfall of €871 million.

The cash flow statement for the Automotive segment shows that the cash inflow from operating activities exceeded the cash outflow for investing activities by €1,352 million (2010: €2,608 million).

Adjusted for net investments in marketable securities amounting to €781 million (2010: €1,863 million), mainly in conjunction with strategic liquidity planning, the excess amount was €2,133 million (2010: excess amount of €4,471 million).

Free cash flow of the Automotive segment can be analysed as follows:

in € million	31.12.2011	31.12.2010
Cash inflow from operating activities	**7,077**	8,149*
Cash outflow for investing activities	**–5,725**	–5,541*
Net investment in marketable securities	**781**	1,863
Free cash flow Automotive segment	**2,133**	**4,471**

* The adjustments result from the reclassification described in note 43 of the Group Financial Statements.

Following the reclassification of cash flows relating to leased assets and receivables from sales financing, the cash outflow for operating activities of the Financial Services segment totalled €2,308 million (2010: outflow of €3,773 million). Primarily as a result of the sale of marketable securities, investing activities generated a cash inflow of €204 million (2010: cash outflow of €71 million).

After adjustment for the effects of exchange-rate fluctuations and changes in the composition of the BMW Group amounting to a net positive amount of €43 million (2010: €26 million), the various cash flows resulted in an increase in cash and cash equivalents of €344 million (2010: decrease of €335 million). Net financial assets of the Automotive segment comprise the following:

in € million	31.12.2011	31.12.2010
Cash and cash equivalents	**5,829**	5,585
Marketable securities and investment funds	**1,801**	1,134
Intragroup net financial receivables	**6,404**	5,690
Financial assets	**14,034**	**12,409**
Less: external financial liabilities*	**–1,747**	–1,123
Net financial assets	**12,287**	**11,286**

* Excluding derivative financial instruments

Refinancing

The net liquidity position of the BMW Group improved again in 2011 thanks to a strong level of free cash flow. Our good reputation enjoyed on the world's international financial markets provides the financial flexibility to ensure solvency at all times and sufficient resources to generate future growth.

We are able to call on a broadly based, finely tuned range of instruments to refinance our operations via international money and capital markets. Almost all of the funds raised are used to finance the BMW Group's Financial Services business. Apart from issuing commercial paper on the money market, the BMW Group's financing companies also issue bearer bonds in various currencies. In addition, retail customer and dealer financing receivables on the one hand and leasing rights and obligations on the other are securitised in the form of asset-backed securities (ABS) financing arrangements. Financing instruments employed by our banks in Germany and the USA (e.g. customer deposits) are also used as a supplementary source of financing. Owing to the increased use of international money and capital markets to raise funds, the scale of funds raised in the form of loans from international banks has generally decreased.

The situation on international money and capital markets was again dominated in 2011 by the European debt crisis, resulting in major swings on the world's financial markets, particularly in the second half of the year.

The debt crisis did not have any impact on the BMW Group's financing activities. Thanks to its good ratings, the BMW Group was again able to refinance operations at an attractive level in 2011. In addition to the issue of bonds and loan notes on the one hand and private placements on the other, we were also able to issue commercial paper at good conditions. Additional funds were also raised via new securitised transactions and by extending existing transactions. As in previous years, all issues were highly sought after by both institutional and private investors.

During the year, the BMW Group issued two benchmark bonds with a total issue volume of €2.25 billion on European capital markets. Bonds were also issued in Canadian and Australian dollars, Norwegian krone, Swiss francs and other currencies for a total amount of €4.5 billion. Issues of public ABS bonds raised 2.25 billion US dollar in the USA and 2 billion rand in South Africa. In addition, securitised private ABS transactions were used to raise €200 million in Germany, 20 billion yen in Japan, 700 million Canadian dollars in Canada, 1.5 billion Australian dollars in Australia and 1 billion US dollars in the USA.

Funds were also raised at attractive conditions on the loan note market. Alongside various euro transactions with a total volume of €500 million, a number of smaller issues were made on niche markets.

The regular issue of commercial paper at attractive conditions further strengthened our broad refinancing basis.

The following table provides an overview of existing money and capital market programmes of the BMW Group at 31 December 2011:

Programme	Amount utilised
Euro Medium Term Notes	€25.3 billion
Commercial paper	€5.2 billion

In October 2011 the BMW Group concluded a new syndicated credit facility totalling €6 billion with a term of five years and with two one-year extension options at good conditions. A consortium of 39 international banks is involved in the credit facility. Despite the volatile market situation, syndication of the facility was oversubscribed to a considerable extent. A commitment fee is paid annually in line with normal market practice. The duration of the credit agreement is determined when the facility is drawn down. The previous credit facility for 8 billion US dollar, due to expire in November 2012, was therefore replaced early.

Standard & Poor's raised its outlook for BMW AG during the year under report from stable to positive. Moody's raised BMW AG's long-term and short-term ratings by one level in each case from A3/P-2 to A2/P-1 and confirmed the stable outlook. BMW AG therefore currently enjoys the best ratings of all European car manufacturers.

Further information regarding financial liabilities is provided in the notes to the Group Financial Statements (note 34 and note 38).

Net assets position*

The Group balance sheet total increased by €13,265 million (+12.0%) to stand at €123,429 million at 31 December 2011. Adjusted for changes in exchange rates, the balance sheet total would have increased by 10.8%.

The main factors behind the increase on the assets side of the balance sheet were receivables from sales financing (+8.8%), inventories (+24.1%), leased products (+21.1%) and trade receivables (+41.1%). By contrast, decreases were recorded for non-current financial assets (–8.8%) and non-current other assets (–17.9%).

On the equity and liabilities side of the balance sheet, the increase was due to the rise in equity (+13.3%), pension provisions (+39.7%), trade payables (+22.7%) and financial liabilities (+9.0%). Deferred tax liabilities decreased slightly (–3.7%).

At €5,238 million, the carrying amount of intangible assets was €207 million higher than at the end of the previous year. Within intangible assets, capitalised development costs decreased by €237 million to €4,388 million. Development costs recognised as assets during the year under report amounted to €972 million (+2.2%). The proportion of development costs recognised as assets was 28.8% (2010: 34.3%). Additions to capitalised development costs in 2011 were therefore slightly above

* Adjusted for effect of change in accounting policy for leased products as described in note 8

the level of the previous year. The corresponding amortisation expense was €1,209 million (2010: €1,260 million). Goodwill went up by €258 million from €111 million to €369 million as a result of the acquisition of the ICL Group.

The carrying amount of property, plant and equipment increased slightly (+2.3%) to €11,685 million. Capital expenditure of €2,598 million was 16.2% higher than in the previous year (2010: €2,235 million). The main focus was on product investments for production start-ups and infrastructure improvements. Depreciation on property, plant and equipment totalled €2,324 million (+0.9%). The purchase of the ICL Group caused property, plant and equipment to increase by €23 million. Total capital expenditure on intangible assets and property, plant and equipment as a percentage of revenues was unchanged at 5.4%.

Leased products climbed by €4,024 million or 21.1%. Excluding the effect of exchange rate fluctuations, leased products would have increased by 19.7%. As a result of the first-time consolidation of the ICL Group, leased products increased by €3,385 million.

Other investments increased by €384 million to €561 million, mainly reflecting the purchase of shares in SGL Carbon SE at an acquisition cost of €487 million.

Receivables from sales financing were up by 8.8% to €49,345 million due to higher business volumes. Of this amount, customer and dealer financing accounted for €38,295 million (+8.0%) and finance leases for €11,050 million (+11.6%).

Compared to the end of the previous financial year, the carrying amount of inventories went up by €1,872 million to €9,638 million (+24.1%). Adjusted for exchange rate factors, the increase would have been 22.5%. Stocking up in conjunction with the introduction of new models and expanding business operations were the main reasons for the increase.

Trade receivables ended up 41.1% higher than at 31 December 2010, mainly reflecting increased business volumes.

Financial assets went up by 6.3% to €5,453 million, largely due to higher levels of marketable securities and investment fund shares, whilst the overall increase was kept down by fair value losses.

Liquid funds increased by 12.3% to €10,106 million and comprise cash and cash equivalents, marketable securities and investment fund shares (the last two items reported as financial assets). The carrying amount of marketable securities and investment fund shares rose by €764 million.

Cash and cash equivalents went up by €344 million to €7,776 million.

On the equity and liabilities side of the balance sheet, equity rose overall by €3,173 million (+13.3%) to €27,103 million. It increased as a result of the net profit for the year of €4,907 million and translation differences of €201 million arising on currency translation. Deferred taxes on items recognised directly in equity increased equity by a further €446 million. Group equity decreased as a result of actuarial losses on pension obligations resulting from lower interest rates (down by €586 million) and in conjunction with the fair value measurement of derivative financial instruments (down by €801 million) and marketable securities (down by €72 million). Income and expenses relating to equity accounted investments and recognised directly in equity, net of deferred tax, reduced equity by €41 million. The dividend payment decreased equity by €852 million.

A portion of the Authorised Capital created at the Annual General Meeting held on 14 May 2009 in conjunction with the employee share scheme was used during the financial year under report to issue shares of preferred stock to employees, thereby increasing subscribed capital by €0.4 million. An amount of €16 million was transferred to capital reserves in conjunction with this share capital increase. Other items increased equity by €13 million.

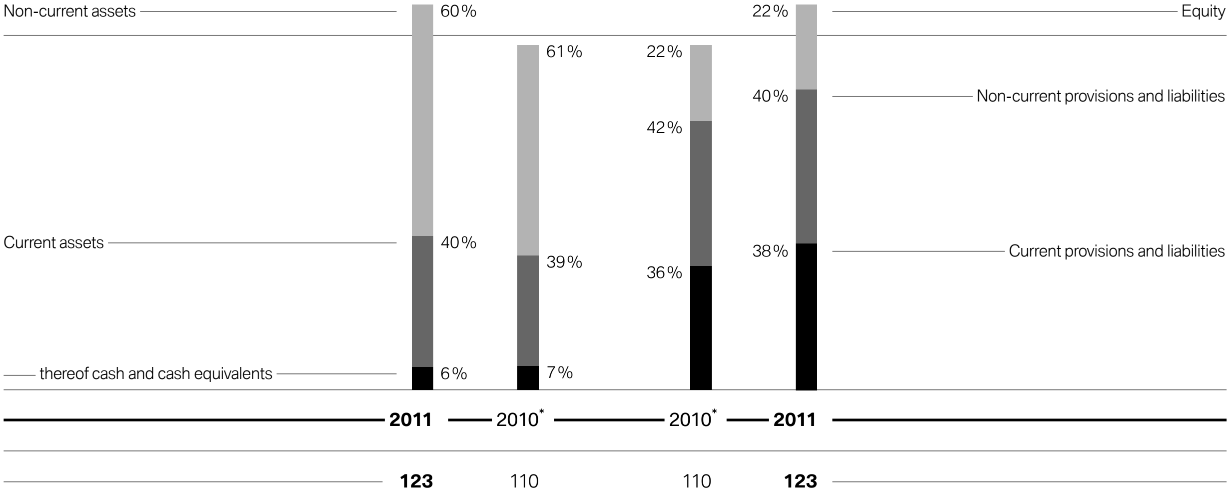
The equity ratio of the BMW Group improved overall by 0.3 percentage points to 22.0%. The equity ratio of the Automotive segment was 41.1% (2010: 40.9%) and that of the Financial Services segment was 8.7% (2010: 7.1%).

Pension provisions increased by 39.7% to €2,183 million as a result of lower discount factors used in the UK and the USA. In the case of pension plans with fund assets, the fair value of fund assets is offset against the defined benefit obligation.

Other provisions rose by €706 million (+12.7%) to €6,253 million, with €473 million of the increase relating to miscellaneous provisions. Personnel-related provisions

Balance sheet structure – Group

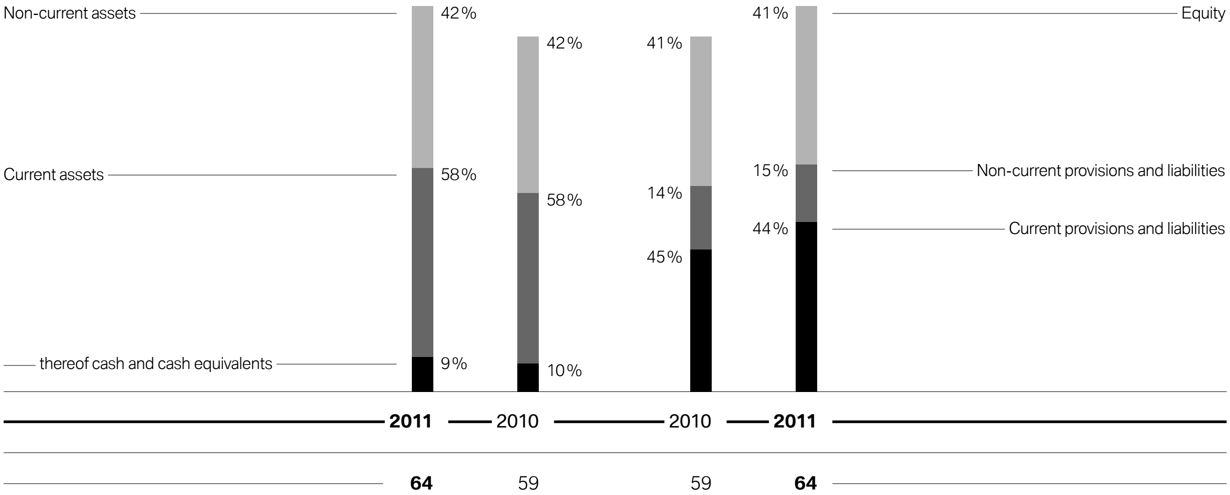
in € billion



* Adjusted for effect of change in accounting policy for leased products as described in note 8

Balance sheet structure – Automotive segment

in € billion



were €240 million higher than at the end of the previous year due to the profit share payable to employees. By contrast, provisions for ongoing operational expenses went down by €7 million.

Financial liabilities increased by 9.0 % to €67,977 million. Within financial liabilities, derivative instruments went up by 23.3 % to €2,479 million, liabilities from customer deposits by 12.6 % to €12,041 million and bonds by 3.6 % to €28,573 million. Liabilities relating to asset-backed financing transactions went up by €1,879 million to €9,385 million.

Trade payables amounted to €5,340 million and were thus 22.7 % higher than one year earlier.

Other liabilities increased by €2,115 million to €9,937 million.

Overall, the earnings performance, financial position and net assets position of the BMW Group continued to develop very positively during the financial year under report.

Compensation Report

The compensation of the Board of Management comprises both a fixed and a variable component. Benefits are also payable – primarily in the form of pension benefits – at the end of members' mandates. Further details, including an analysis of remuneration by each individual, are disclosed in the Compensation Report, which can be found in note 47 to the Group Financial Statements (Corporate Governance). The Compensation Report is a sub-section of the Combined Group and Company Management Report.

Subsequent events

No events have occurred after the balance sheet date which could have a major impact on the earnings performance, financial position and net assets of the BMW Group.

Value added statement

The value added statement shows the value of work performed less the value of work bought in by the BMW Group during the financial year. Depreciation and amortisation, cost of materials and other expenses are treated as bought-in costs in the net value added calculation. The allocation statement applies value added to each of the participants involved in the value added process. It should be noted that the gross value added amount treats depreciation as a component of value added which, in the allocation statement, is treated as internal financing.

Net value added by the BMW Group in 2011 rose by 19.1 % to €17,765 million, whereby the increase was mainly the result of higher revenues.

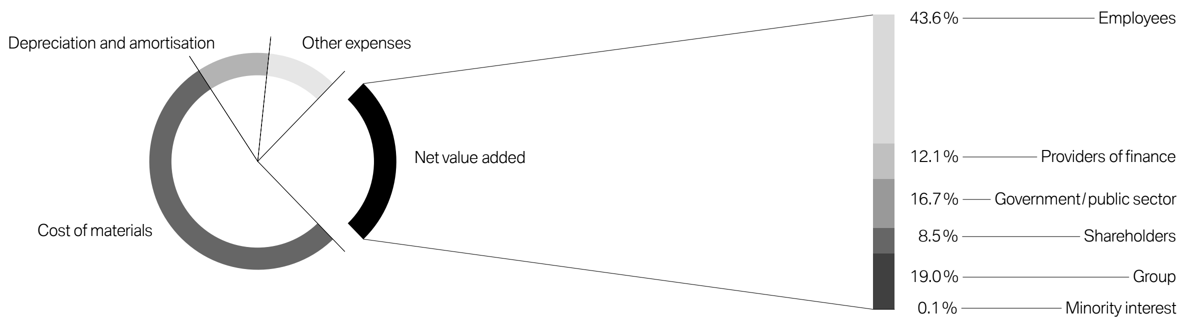
The bulk of the net value added (43.6 %) is applied to employees. The proportion applied to providers of finance fell to 12.1 %, mainly due to the lower refinancing costs on international capital markets for the financial services side of the business. The government/public sector (including deferred tax expense) accounted for 16.7 %. The proportion of net value added applied to shareholders, at 8.5 %, was higher than in the previous year. Minority interests take a 0.1 % share of net value added. The remaining proportion of net value added (19.0 %) will be retained in the Group to finance future operations.

BMW Group Value added statement

	2011 in € million	**2011** in %	2010[1] in € million	2010 in %	Change in %
Work performed					
Revenues	**68,821**	**99.5**	60,477	98.7	
Financial income	**–400**	**–0.6**	–7	–	
Other income	**782**	**1.1**	766	1.3	
Total output	**69,203**	**100.0**	**61,236**	**100.0**	**13.0**
Cost of materials[2]	**36,753**	**53.1**	32,108	52.4	
Other expenses	**7,261**	**10.5**	6,530	10.7	
Bought-in costs	**44,014**	**63.6**	**38,638**	**63.1**	**13.9**
Gross value added	**25,189**	**36.4**	**22,598**	**36.9**	**11.5**
Depreciation and amortisation	**7,424**	**10.7**	7,679	12.5	
Net value added	**17,765**	**25.7**	**14,919**	**24.4**	**19.1**
Applied to					
Employees	**7,739**	**43.6**	7,278	48.8	6.3
Providers of finance	**2,149**	**12.1**	2,363	15.9	–9.1
Government/public sector	**2,970**	**16.7**	2,035	13.6	45.9
Shareholders	**1,508**	**8.5**	852	5.7	77.0
Group	**3,373**	**19.0**	2,375	15.9	42.0
Minority interest	**26**	**0.1**	16	0.1	62.5
Net value added	**17,765**	**100.0**	**14,919**	**100.0**	**19.1**

[1] Adjusted for effect of change in accounting policy for leased products as described in note 8
[2] Cost of materials comprises all primary material costs incurred for vehicle production plus ancillary material costs (such as customs duties, insurance premiums and freight).

BMW Group Value added 2011
in %



Net value added	25.7	Depreciation and amortisation	10.7
Cost of materials	53.1	Other expenses	10.5

Key performance figures

		2011	2010*
Gross margin	%	**21.1**	18.1
EBITDA margin	%	**16.9**	14.5
EBIT margin	%	**11.7**	8.5
Pre-tax return on sales	%	**10.7**	8.0
Post-tax return on sales	%	**7.1**	5.4
Pre-tax return on equity	%	**30.9**	23.4
Post-tax return on equity	%	**20.5**	15.6
Equity ratio – Group	%	**22.0**	21.7
Automotive	%	**41.1**	40.9
Financial Services	%	**8.7**	7.1
Coverage of intangible assets, property, plant and equipment by equity	%	**160.2**	145.4
Return on capital employed			
Group	%	**25.6**	19.1
Automotive	%	**77.3**	40.2
Motorcycles	%	**10.2**	18.0
Return on equity			
Financial Services	%	**29.4**	26.1
Cash inflow from operating activities	€ million	**5,713**	4,319
Cash outflow from investing activities	€ million	**–5,499**	–5,190
Coverage of cash outflow from investing activities by cash inflow from operating activities	%	**103.9**	83.2
Free cash flow of Automotive segment	€ million	**2,133**	4,471
Net financial assets Automotive segment	€ million	**12,287**	11,286

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Comments on Financial Statements of BMW AG

The financial statements of BMW AG are drawn up in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

BMW AG develops, manufactures and sells cars and motorcycles manufactured by itself, foreign subsidiaries and Magna Steyr. Sales activities are carried out through the Company's own branches, independent dealers, subsidiaries and importers. The number of cars manufactured at German and foreign plants in 2011 rose by 17.3 % to 1,738,160 units. At 31 December 2011, BMW AG had 71,630 employees, 2,112 more than one year earlier.

The dynamic performance of the world's car markets resulted in strong sales volume growth for BMW AG. Thanks to this positive development, revenues rose by 20.2 %. The most significant increase was recorded in Asia. Sales to Group sales companies accounted for €40.0 billion or 72.7 % of total revenues of €55.0 billion. The increase in cost of sales was less pronounced than the increase in revenues, mainly due to changes in the sales mix and reduced material costs. As a consequence, gross profit increased by €3.1 billion to €11.7 billion.

The increase in other operating income and expenses was attributable primarily to income recorded in conjunction with retrospective changes to transfer prices and to a higher level of income from reversals of warranty provisions. Estimates used to measure those provisions were refined on the basis of current information. These income items were partially offset by increased expenses recognised for pending losses on commodity and currency hedging contracts.

The financial result deteriorated by €300 million, mainly as a result of the impact of fair value measurement on designated plan assets for pension and other non-current personnel-related provisions.

The profit from ordinary activities increased from €2,337 million to €4,037 million.

Extraordinary items in 2011 relate to the merger gain arising on the merger of BMW Maschinenfabrik Spandau GmbH, Munich, into BMW AG, Munich. In 2010, extraordinary items had included the impact of the first-time application of the German Accounting Law Modernisation Act (BilMoG).

The tax expense in 2011 comprises current year tax and adjustments to tax provisions for prior years in connection with intra-group transfer pricing arrangements.

After deducting the expense for taxes, the Company reports a net profit of €1,970 million (2010: €1,506 million).

Capital expenditure on intangible assets and property, plant and equipment amounted to €2,032 million (2010: €1,582 million), an increase of 28.4 % over the previous year. The main focus was on product investments for production start-ups and infrastructure improvements. Depreciation and amortisation amounted to €1,578 million.

Investments went up from €1,875 million to €2,823 million. The carrying amount of investments was increased on the one hand by €625 million in conjunction with a transfer to capital reserves made at the level of BMW Leasing GmbH, Munich, and reduced by the derecognition of the investment in BMW Vertriebs GmbH & Co. oHG, Dingolfing, following that entity's automatic merger with BMW Leasing GmbH (subsequently merged into BMW Bank GmbH, Munich). In addition, shares in SGL Carbon SE, Wiesbaden, were purchased during the financial year 2011 at an acquisition cost of €464 million.

Inventories went up from €3,259 million to €3,755 million due to higher business volumes generally and to stocking up in conjunction with the introduction of new models.

Cash and cash equivalents rose by €1,290 million to €2,864 million, reflecting the BMW Group's strong operating performance in the year under report. Financial receivables from subsidiaries decreased.

Equity rose by €1,134 million to €8,222 million, while the equity ratio improved from 29.1 % to 29.9 %.

In order to secure obligations resulting from pre-retirement part-time work arrangements and a part of the Company's pension obligations, assets were transferred to BMW Trust e.V., Munich, in conjunction with Contractual Trust Arrangements (CTA), on a trustee basis. The assets concerned comprise mainly holdings in investment fund assets and a receivable resulting from a so-called "Capitalisation Transaction" (Kapitalisierungsgeschäft). Fund assets are offset against the related guaranteed obligations. The resulting surplus of assets over liabilities is reported in the BMW AG balance sheet on the line "Surplus of pension and similar plan assets over liabilities".

Pension provisions, net of designated plan assets, increased from €24 million to €84 million.

External liabilities to banks and from commercial paper programmes increased during the financial year. In the opposite direction, liabilities to subsidiaries in conjunction with intra-group financing arrangements decreased.

BMW AG Balance Sheet at 31 December

in € million

	2011	2010
Assets		
Intangible assets	**161**	141
Property, plant and equipment	**6,679**	6,257
Investments	**2,823**	1,875
Tangible, intangible and investment assets	**9,663**	**8,273**
Inventories	**3,755**	3,259
Trade receivables	**729**	667
Receivables from subsidiaries	**5,827**	6,448
Other receivables and other assets	**1,479**	1,122
Marketable securities	**3,028**	2,556
Cash and cash equivalents	**2,864**	1,574
Current assets	**17,682**	**15,626**
Prepayments	**120**	106
Surplus of pension and similar plan assets over liabilities	**43**	341
Total assets	**27,508**	**24,346**
Equity and liabilities		
Subscribed capital	**655**	655
Capital reserves	**2,035**	2,019
Revenue reserves	**4,024**	3,562
Unappropriated profit available for distribution	**1,508**	852
Equity	**8,222**	**7,088**
Registered profit-sharing certificates	**32**	33
Pension provisions	**84**	24
Other provisions	**7,651**	6,613
Provisions	**7,735**	**6,637**
Liabilities to banks	**911**	512
Trade payables	**2,940**	2,384
Liabilities to subsidiaries	**6,923**	7,366
Other liabilities	**741**	322
Liabilities	**11,515**	**10,584**
Deferred income	**4**	4
Total equity and liabilities	**27,508**	**24,346**

BMW AG Income Statement

in € million

	2011	2010
Revenues	55,007	45,773
Cost of sales	–43,320	–37,125
Gross profit	**11,687**	**8,648**
Sales costs	–3,381	–2,783
Administrative costs	–1,410	–1,345
Research and development costs	–3,045	–2,537
Other operating income and expenses	670	567
Result on investments	181	152
Financial result	–665	–365
Profit from ordinary activities	**4,037**	**2,337**
Extraordinary income	29	314
Extraordinary expenses	–	–39
Income taxes	–2,073	–1,088
Other taxes	–23	–18
Net profit	**1,970**	**1,506**
Transfer to revenue reserves	–462	–654
Unappropriated profit available for distribution	**1,508**	**852**

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, has issued an unqualified audit opinion on the financial statements of BMW AG, of which the balance sheet and the income statement are presented here. The BMW AG financial statements for the financial year 2011 will be submitted to the operator of the electronic version of the German Federal Gazette and can be obtained via the Company Register website. These financial statements are available from BMW AG, 80788 Munich, Germany.

The internal control system in place throughout the BMW Group is aimed at ensuring the effectiveness of operations. It makes an important contribution towards ensuring compliance with the laws that apply to the BMW Group as well as providing assurance on the propriety and reliability of internal and external financial reporting. The internal control system is therefore a significant factor in the management of process risks. The principal features of the internal control system and the risk management system, as far as they relate to individual entity and Group financial reporting processes, are described below.

Information and communication

One component of the internal control system is that of "Information and Communication". It ensures that all the information needed to achieve the objectives set for the internal control system is made available to those responsible in an appropriate and timely manner. The requirements relating to the provision of information relevant for financial reporting at the level of BMW AG, other consolidated Group entities and the BMW Group are primarily set out in organisational manuals, in guidelines covering internal and external financial reporting issues and in accounting manuals. These instructions, which can be accessed at all levels via the BMW Group's intranet system, provide the framework for ensuring that the relevant rules are applied consistently throughout the Group. The quality and relevance of these instructions is ensured by regular review as well as by continuous communication between the relevant departments.

Organisational measures

All financial reporting processes (including Group financial reporting processes) are structured in organisational terms in accordance with the principle of segregation of duties. In combination with the rigorous application of the principle of dual control, these structures allow errors to be identified at an early stage and prevent potential wrongdoing. Regular comparison of internal forecasts and external financial reports improves the quality of financial reporting. The internal audit department serves as a process-independent function, testing and assessing the effectiveness of the internal control system and proposing improvements when appropriate.

Controls

Extensive controls are carried out by management in all financial reporting processes at an individual entity and Group level, thus ensuring that legal requirements and internal guidelines are complied with and that all business transactions are properly executed. Controls are also carried out with the aid of IT applications, thus reducing the incidence of process risks.

IT authorisations

All IT applications used in financial reporting processes throughout the BMW Group are subject to access restrictions, allowing only authorised persons to gain access to systems and data in a controlled environment. Access authorisations are allocated on the basis of the nature of the duties to be performed. In addition, IT processes are designed and authorisations allocated using the dual control principle, as a result of which, for instance, requests cannot be submitted and approved by the same person.

Internal control training for employees

All employees are appropriately trained to carry out their duties and kept informed of any changes in regulations or processes that affect them. Managers and staff also have access to detailed best-practice descriptions relating to risks and controls in the various processes, thus increasing risk awareness at all levels. As a consequence, the internal control system can be evaluated regularly and further improved as necessary. Employees can, at any time and independently, deepen their understanding of control methods and design using an information platform that is accessible throughout the entire Group.

Evaluating the effectiveness of the internal control system

Responsibilities for ensuring the effectiveness of the internal control system in relation to individual entity and Group financial reporting processes are clearly defined and allocated to the relevant managers and process owners. The BMW Group assesses the design and effectiveness of the internal control system on the basis of internal review procedures (e.g. management self-audits, internal audit findings). Audits performed at regular intervals show that the internal control system in place throughout the BMW Group is both appropriate and effective. Continuous revision and further development of the internal control system ensures its continued effectiveness. Group entities are required to confirm regularly as part of their reporting duties that the internal control system is functioning properly. Effective measures are implemented whenever weaknesses are identified and reported.

* Disclosures pursuant to § 289 (5) HGB and § 315 (2) no. 5 HGB

Risk management in the BMW Group

As a globally operating organisation, the BMW Group is exposed to a variety of risks, arising in part from the increasing internationalisation of business activities and ever-greater competition. Consciously taking calculated risks and making full use of the opportunities relating to them is the basis for corporate success. A description of business opportunities is provided in the section "Outlook for the BMW Group in 2012".

Having a system of ongoing risk management procedures in place is a prerequisite for assessing at an early stage the impact of changes in the legal, economic or regulatory environment or within the enterprise. Risk management within the BMW Group is an integral part of our business processes and organisational structures. Although managed from the centre, the risk management system is based on a decentralised structure, supported by a network of risk managers. This approach raises awareness and encourages a balanced approach to risks at all levels throughout the organisation. The risk management system is tested regularly for appropriateness and effectiveness by Internal Audit. Knowledge gained from these audits serves as the basis for further improvements.

The risk management process, which is applied throughout the BMW Group, comprises the early identification and analysis of opportunities and risks, their measurement, the coordinated use of suitable management tools and risk management monitoring. As part of the risk reporting system, decision-makers are regularly informed regarding risks which could have a significant impact on business. Decisions are reached after consideration of detailed project analyses that show both potential risks and potential opportunities. In conjunction with the Group's monthly and long-term forecasting systems, opportunities and risks attached to specific business activities are evaluated and used as the basis for implementing measures to mitigate risks and achieve targets. Important success factors are monitored continuously to ensure that unfavourable developments are identified at an early stage and appropriate countermeasures implemented.

Standardised rules and procedures consistently applied throughout the BMW Group form the basis for an organisation that is permanently learning. By regularly sharing experiences with other companies, the BMW Group ensures that new insights flow into the risk management system, thus ensuring continual improvement. Regular basic and further training as well as information events are invaluable ways of preparing people for new or additional requirements with regard to the processes in which they are involved.

The main aspects of risk management activities are described below. Additional comments on risks in conjunction with financial instruments are provided in the notes to the Group Financial Statements.

Risks relating to the general economic environment

The year under report saw a variety of contrasting economic developments. The global economic upward trend continued in most respects during the first half of the year, despite the consequences of the earthquake in Japan and political unrest in the Middle East. Since the start of the third quarter 2011, it has been the sovereign debt crisis – particularly in Europe – that has emerged as the main issue affecting international financial markets. Against this background, the world's car markets have performed extremely well, with most of the momentum coming once again from growth markets.

The sale of vehicles outside the euro zone gives rise to exchange risks. Three currencies (the Chinese renminbi, the US dollar and the British pound) accounted for approximately two-thirds of the BMW Group's foreign currency exposures in 2011. We employ cash-flow-at-risk models and scenario analyses to measure exchange rate risks. These tools provide information which serves as the basis for decision-making in the area of currency management.

We manage currency risks both at a strategic (medium and long term) and at an operating level (short and medium term). In the medium and long term, foreign exchange risks are managed by "natural hedging", in other words by increasing the volume of purchases denominated in foreign currency or increasing the volume of local production. In this context, the expansion of the plant in Spartanburg, USA, and the new plant under construction in Tiexi* at the Shenyang site in China are helping to reduce foreign exchange risks in two major sales markets. For operating purposes (short and medium term), currency risks are hedged on the financial markets. Hedging transactions are entered into only with financial partners of good credit standing. Counterparty risk management procedures are carried out continuously to monitor the creditworthiness of those partners.

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Interest-rate risks are managed by raising refinancing funds with matching maturities and by employing derivative financial instruments. Interest-rate risks are measured and limited on the basis of a value-at-risk approach. Risk-bearing capacity and targets are taken into consideration for the purposes of measuring and limiting interest rate risks. In addition, the risk-return ratio is tested regularly using simulated computations in conjunction with a present-value-based interest rate management system. Sensitivity analyses, which contain stress scenarios and show the potential impact of interest-rate changes on earnings, are also used as tools to manage interest-rate risks.

Access to liquid funds across the Group is ensured by a broad diversification of refinancing sources. Knowledge gained from the financial crisis has been incorporated in a so-called "Target Liquidity Concept". The liquidity position is monitored continuously at a separate entity level and managed by means of a cash flow requirements and sourcing forecast system in place throughout the Group.

Most of the Financial Services segment's credit financing and lease business is refinanced on capital markets. The BMW Group has good access to financial markets thanks to its excellent creditworthiness and, as in previous years, was able to raise funds at good conditions in 2011, reflecting a diversified refinancing strategy on the one hand and a solid liquidity base on the other. Internationally recognised rating agencies have confirmed the BMW Group's strong creditworthiness.

Changes on the world's international commodities markets can also have an impact on the BMW Group's business. In order to safeguard the supply of production materials and minimise cost risks, all relevant commodities markets are closely monitored. The year 2011 was characterised by a high degree of volatility in raw materials prices. Prices fell sharply as from the beginning of the second half of the year, after rising previously in response to favourable economic developments. Derivative instruments had been put in place before the start of the year to hedge the prices of precious metals (such as platinum, palladium and rhodium) and of non-ferrous metals (such as aluminium, copper and lead) required in 2011 and subsequent years. Changes in the price of crude oil, which is an important basic material in the manufacture of components, have an indirect impact on our production costs. The price of crude oil also directly influences the purchasing behaviour of our customers when fuel prices change.

An escalation of political tensions and terrorist activities, natural catastrophes or possible pandemics could cause raw material shortages on the one hand and, if materials and parts fail to be delivered, could result directly in lost production. Such factors could, however, also impact business performance indirectly if they affect the economy and the international capital markets.

Sector risks

The automotive industry is increasingly under pressure worldwide to reduce both fuel consumption and emission levels. We are meeting these challenges with our Efficient Dynamics technology, a strategy with which we have had tangible success since it was introduced.

Medium- to long-term requirements have already been put in place in Europe, North America, Japan, China and other countries with respect to the reduction of vehicle fuel consumption and CO_2 emissions. Europe has set a target of achieving an average of 130 g/km for all new vehicles by 2015. EU regulations set targets for CO_2 emissions that take account of vehicle weight. Based on the new rules, a target of below 140 g/km has been derived for the BMW Group. A uniform consumption and CO_2 regulation applies in the USA for model years up to 2016. Consumption targets through to 2025 are currently being determined. Starting with a step-by-step reduction in model year 2012, the new vehicle fleets of all manufacturers are expected to come down to an average value of 250 g of CO_2 per mile in model year 2016. The Japanese government has also set ambitious targets to reduce consumption, including statutory regulations for 2010 and 2015 and is currently working on targets for 2020. Discussions are currently taking place in China with respect to legislation for the years 2012 to 2015 which go beyond the existing regulations for individual car fuel consumption.

The BMW Group meets legal requirements with its Efficient Dynamics technology. A risk could arise, however, if legal requirements were to be made more stringent.

The automotive industry is also gearing up to master the challenges associated with bringing models with alternative drive systems onto the market. At the same time we also see this as an opportunity to put our technological expertise and innovative strengths to use.

The need to optimise consumption and reduce emissions is an integral part of the Group's product innovation process. The Efficient Dynamics concept, initially developed several years ago, comprises the whole set of measures now incorporated throughout the entire vehicle fleet relating to highly efficient engines, improved aerodynamics, lightweight construction and energy management.

In the medium term we will achieve greater fuel economy by electrifying the drive train and developing comprehensive hybrid systems. We are also working on solutions for sustainable mobility in densely populated areas. For example, large-scale field trials have been carried out with the MINI E in Great Britain, Germany, France, the USA, China and Japan. A test fleet of BMW ActiveE electric cars based on the BMW 1 Series Coupé has been on the roads since 2011. The extensive knowledge gained from these trials will be incorporated in the series development of electric vehicles within the BMW Group. The BMW i3 is due to come onto the market in 2013 as the BMW Group's first series production electric car for use in the world's major metropolitan regions.

Operating risks
The flexible nature of our worldwide production network and working time models generally helps to reduce operating risks. In addition, risks arising from business interruptions and loss of production are also insured up to economically reasonable levels with insurance companies of good credit standing.

Close cooperation between manufacturers and suppliers is usual in the automotive sector, and although this form of networking provides economic benefits, it also creates a certain degree of mutual dependence. As part of a policy of preventative risk management implemented within the purchasing function, suppliers are assessed for technical competence on the one hand and financial strength on the other, during both the development and production phases of our vehicles. We are also increasingly taking steps to deal with suppliers' risks at a local level. A Supplier Relationship Management system, which also takes account of social and ecological aspects, helps to reduce risks connected with purchasing activities.

The risk of individual suppliers suffering capacity bottlenecks increased during the period under report, mainly reflecting the huge rise in volumes that needed to be mastered in 2011. Material supplies were fully assured at all times by means of appropriate early-intervention measures.

Risks relating to Financial Services business
A set of strategic principles and rules derived from regulatory requirements serves as the basis for risk management within the Financial Services segment. At the heart of the risk management process is a clear division into front- and back-office activities and a comprehensive internal control system (ICS).

In order to ensure that the segment is capable of bearing the risks to which it is exposed (i.e. its "risk-bearing capacity"), we monitor the segment's total exposure to major risks. This involves measuring unexpected losses using a variety of value-at-risk techniques, aggregating those losses (after factoring in correlation effects) and comparing the aggregated result with resources available to cover risks (i.e. equity). The segment's risk-bearing capacity is monitored continuously with the aid of an integrated limit system. The segment's total risk exposure was covered at all times during the past year by the available risk-coverage volumes.

The main categories of risk for the Financial Services segment are: credit and counterparty default risk, residual value risk, interest rate risk, liquidity risk and operational risks. In order to evaluate and manage these risks, a variety of internal methods have been developed based on regulatory environment requirements (such as Basel II) and which comply with national and international standards.

Credit risks arise in conjunction with lending to retail customers and major corporate customers, the latter relating primarily to the dealer, fleet and importer financing/leasing lines of business. Counterparty default risk, by contrast, refers to the risk that banks or financial institutions with which financial instruments have been transacted in conjunction with refinancing and risk hedging are unable to meet their payment obligations.

Lending to retail customers is largely based on automated scoring techniques. In the case of major corporate customers, creditworthiness is checked using internal rating models, which take account of financial statement data and supplementary qualitative evaluations. Customer creditworthiness is tested at least once a year and revised accordingly. The approval for lending to major corporate customers is primarily based on a standardised method of measuring the value of the vehicle(s) or other object(s) serving as collateral. The recoverability of the value of items accepted as collateral is regularly reviewed, measured and evaluated with a view to assessing the impact on the level of risk not covered by collateral.

In order to minimise risk from lending, we employ standardised instruments such as subsequent security, additional collateral, retention of vehicle documents or higher upfront payments. In addition, the levels of authority and responsibility of those involved in the lending process are clearly defined. The segment's financial services entities are managed and monitored by stipulating limits. All process steps, such as the segregation of duties and the use of techniques to recognise risks at an early stage, are required to be applied worldwide. Appropriate testing is carried out to ensure that the systems are up to date and working properly. Local, regional and centralised credit audits are also regularly performed by Internal Audit to check compliance with lending approval and authorisation rules procedures as well as the processes and IT systems involved.

We continue to develop standardised credit decision processes for the BMW Group worldwide. The focus here is on improving the quality of credit applications, the Group's rating methodology and procedures used to select employees within the worldwide credit and counterparty risk network.

Risk criteria with worldwide applicability, such as debt arrears, bad debt ratios and the proportion of financing volumes subject to problems, are calculated and analysed on a monthly or quarterly basis. This information is used proactively to manage risks. The calculation of expected losses serves as the basis for determining the level of risk provision to be recognised in the balance sheet.

The segment's portfolio risks are managed using state-of-the-art techniques based on relevant regulatory requirements such as Basel II. Unexpected losses are measured using credit-value-at-risk methodologies and are monitored and managed by means of a global limit system. Appropriate control measures are applied as the need arises.

In the case of vehicles which remain with the Financial Services segment at the end of a contract (leases and credit financing arrangements with option of return), there is a risk that the residual value calculated at the inception of the contract may not be recovered when the vehicle is sold (residual value risk). Residual values are calculated uniformly throughout the BMW Group in accordance with mandatory guidelines. For risk management purposes, the expected risk-free residual value of a vehicle is measured on the basis of external and internal information. These amounts are checked regularly and adjusted as appropriate. Residual values of vehicles on used car markets are continuously monitored and reported on. In addition to internal information, our assessments also take account of external market data. The BMW Group strives to effectively reduce the impact of declining residual values by actively managing the life cycles of current models, optimising reselling processes on international markets and implementing targeted price and volume measures. Potential losses are measured by comparing forecasted market values and contractual residual values by model and market.

The risk of incurring unexpected losses is measured on the basis of a value-at-risk approach. The portfolio risk is also monitored and managed in the case of residual value risks by a system of limits.

Interest-rate risks relate to potential losses caused by changes in market interest rates and can arise when fixed interest-rate periods for assets and liabilities recognised in the balance sheet do not match. For risk management purposes, all interest-related asset or liability exposures are aggregated on a cash flow basis, taking account of subsequent changes, e.g. in the case of early termination of a contract. Interest-rate risks are managed on the basis of a value-at-risk approach and a limit system. Limits are set using a benchmark-oriented approach that focuses on interest-rates arrangements contained in the original contracts. Compliance with prescribed limits is tested regularly.

Liquidity risks can arise in the form of rising refinancing costs on the one hand and restricted access to funds on the other. A matched funding approach is used strategically to avoid liquidity risks as far as possible. Using this approach, the segment endeavours – by regular measurement and monitoring – to ensure that cash inflows and outflows from transactions in varying maturity cycles will offset each other.

The scope of procedures applied to manage operational risks is based on Basel II requirements. This includes identifying and measuring potential risk scenarios, computing and monitoring key risk indicators on an ongoing basis, the systematic recording of loss claims and a range of coordinated measures aimed at mitigating risk. Both qualitative and quantitative aspects need to be taken into account in the decision process. The latter is backed up by various system-based solutions, all of which follow the principles of operational risk management, such as the segregation of duties, dual control, documentation and transparency. In addition, both the effectiveness and efficiency of the internal control system are tested regularly.

Legal risks

Compliance with the law is one of the basic prerequisites for our success. Current law provides the binding framework for our wide range of activities around the world. The growing international scale of business and the huge number of complex legal regulations increase the risk of laws being broken, simply because they are not known or fully understood.

Against this background, the BMW Group set up a Compliance Organisation a few years ago to ensure that its representative bodies, its managers and its staff act in a lawful manner. Further information about the BMW Group's Compliance Organisation can be found in the "Corporate Governance" section.

Like all enterprises, the BMW Group is exposed to the risk of warranty claims, product liability claims and other legal disputes which are typical for the sector or which arise as a consequence of realigning our product or purchasing strategy to suit changed market conditions. Adequate provisions have been recognised in the balance sheet to cover any such claims. Part of the risk, especially relating to the American market, has been insured externally up to economically acceptable levels. The high quality of our products, additionally ensured by regular quality audits and ongoing improvement measures, helps to reduce this risk. In comparison with competitors, this can give rise to benefits and opportunities for the BMW Group.

The BMW Group is not currently involved in any court or arbitration proceedings which could have a significant impact on its financial condition.

Changes in the regulatory environment may impair our sales volume, revenues and earnings performance in specific markets or economic regions. Further information is provided in the section on sector-specific risks.

Personnel risks

As an attractive employer, for many years we have enjoyed a favourable position in the intense competition for qualified technical and management staff. A high level of employee satisfaction is the best way to minimise the risk of know-how drift. The further development of programmes for new recruits from specific target groups plays an important part in both recruiting and furthering the careers of highly qualified staff.

Demographic change will have a lasting impact on conditions prevailing on employment markets, giving rise to risks and opportunities that are likely to affect businesses to an increasing degree in the coming years. We see demographic change as one of our main challenges and are taking a proactive approach to softening the impact it is likely to have on operational processes. Our focus is on creating a working environment for the future, promoting and maintaining the workforce's ability to perform with the appropriate set of skills, increasing employees' awareness of personal responsibility and the development of individual employee working life-time models aimed at retaining a motivated workforce in the long term.

Social diversity within the workforce increases the underlying strength of the BMW Group. By drawing on the productive benefits of a diverse workforce we will continue to be able to serve existing sales markets in the best interests of customers and to make inroads on new markets.

Risks relating to pension obligations

The BMW Group's pension obligations to its employees resulting from defined benefit plans are measured on the basis of actuarial reports. Future pension payments are discounted by reference to market yields on high-quality corporate bonds. These yields are subject to market fluctuation and influence the level of pension obligations. Furthermore, changes in other factors such as rising inflation or longer life expectancies can also have an impact on pension obligations. The pension obligations of the BMW Group in Germany have been externalised. The corresponding level of assets was transferred to BMW Trust e.V. and can only be used to meet corresponding pension obligations. In the UK, the USA and a number of other countries, funds intended to cover the pension benefits of our employees are also held in pension funds that are kept separate from corporate assets. As a consequence, the level of funds required to finance pension payments out of operations will be substantially reduced in the future. In addition, the risk of rising life expectancy facing the UK pension fund has been hedged. The pension assets of the BMW Group comprise interest-bearing securities with a high level of creditworthiness, equities, property and other investment classes.

Risk indicators (e.g. value at risk) are regularly computed in order to identify risks at an early stage and used to develop measures to mitigate risk. Pension funds are monitored continuously and managed from a risk-and-yield perspective. In order to reduce interest rate risks relating to pensions, regular asset-liability studies are performed and used to match the maturities of interest-generating investments with future pension payments. A broad spread of investments also helps to reduce risk. In addition, risk limits for asset management have been defined for each pension fund and are monitored continuously.

Information and IT risks

We attach great importance to the protection of data, business secrets and innovative developments to safeguard against unauthorised access, damage and misuse. The protection of information and data is an integral component of our business processes and based on International Security Standard ISO/IEC 27001. Staff, process design and information technology each play a role in our comprehensive risk and security concept.

The requirement to apply uniform standards across the Group is embedded in our core principles and documented in detailed working instructions. These instructions require employees to handle information appropriately, ensure that information systems are properly used and that risks pertaining to information technology (IT risks) are dealt with transparently. Regular communication and training measures create a high degree of security and risk awareness among the employees involved. Employees also receive training from the Group's Compliance Organisation to ensure compliance with legal and regulatory requirements.

Potential IT risks resulting from the use of information technology and the processing of information are monitored on a regular basis and managed by the departments responsible.

The technical data protection procedures used primarily involve process-specific security measures. Standard activities such as the use of virus scanners, firewall systems, access controls at both operating system and application level, internal testing procedures and the regular backing up of data are also employed. A security network is in place group-wide to ensure that stipulated requirements are complied with. Regular analyses and rigorous security management ensure a quality standard of protection and also cover the activities of our centralised IT Security Operation Centre, which is responsible for the security of internal network communications. The IT security strategy adopted in 2011 has further strengthened security within the BMW Group by helping to identify potential IT risks and take appropriate action.

We protect our intellectual property in the case of co-operation arrangements and business partner relationships by stipulating clear instructions with regard to data protection and the use of information technology. Information underlying key areas of expertise is subject to particularly stringent security measures.

Economic outlook for 2012

The global economy faces a number of major risks in 2012. Economic growth is generally expected to slow down from approximately 3.0 % in 2011 to around 2.5 % in 2012. The main influencing factors are likely to remain the future course of the euro crisis on the one hand and developments in the property and banking sectors in China on the other.

Even if the euro crisis takes a positive course, the euro zone economy is still predicted to stagnate as a whole. Of all the major economies in the region, only Germany is likely to achieve growth, albeit at a rate of only 0.2 %. The other major countries are expected to see their economic output drop: France by 0.5 %, Spain by 1.2 % and Italy by 1.5 %. There is currently no end in sight to the downward trend in Greece (– 5.0 %) and Portugal (– 4.0 %). The UK economy is forecast to grow by 0.3 %.

By contrast, the recovery in the USA should continue in 2012 and generate growth of approximately 1.8 %. Although public-sector-spending austerity measures will have the effect of holding down growth here, too, there are nevertheless some signs of improvement on the employment market and increases in consumer spending.

The Japanese economy is forecast to grow in 2012 at a rate of 2.5 %, helped by the backlog effect caused by lost production after the natural desaster.

China is set to see growth slow down to 7.5 %, with exports held down by flagging demand from Europe, and selling prices as well as revenue in the property sector lower due to the restrictive monetary policies pursued by the Chinese central bank.

A growth rate of 7.0 % is forecast for India. Given the size of the country's agricultural and consumer sectors, the international weight of the Indian economy remains limited. Lower raw materials prices are likely to dampen growth in Brazil (+ 2.5 %) and Russia (+ 3.5 %).

Slightly weaker euro expected

The uncertainties prevailing within the euro zone suggest that currency markets will again be highly volatile in 2012. Given the expectation of a slight recovery of the US economy and a weaker euro zone, the US dollar may possibly gain in value slightly. The same applies to the British pound and the Japanese yen. It is assumed that the value of the Chinese renminbi will remain coupled to the US dollar.

Car markets in 2012

The risks facing the global economy mean that the prospects for international car markets in 2012 are also subject to uncertainty. The world's largest car market, China, is expected to grow by around 6 % to 18.5 million units. Demand is expected to gain pace again in the USA, with the car market expanding by around 6 % to 13.5 million units.

Due to economic uncertainties in the European Union, the total number of cars sold in the region is forecast to drop by 4 % to 12.5 million units. In Germany the market is expected to consolidate at a level of 3.1 million units. In France, we forecast that the market will contract by approximately 6 % to 2.0 million. The British market is likely to stagnate at just under 2.0 million units. Further significant decreases are forecast in particular for both Italy and Spain. In Japan, the catch-up effect after production losses in the past year could well result in 20 % market growth to 4.8 million units. Amongst the major emerging economies, the car market in India is expected to register the highest growth rate, whereas Brazil and Russia are only likely to grow slowly.

Motorcycle markets in 2012

We do not expect to see any major recovery on international motorcycle markets in 2012. Given the uncertain macroeconomic conditions, European markets are unlikely to do more than move sideways. In the USA and Japan, there is at least a chance that markets will recover slightly. Another strong year is forecast for the motorcycle market in Brazil.

The financial services market in 2012

The sovereign debt crisis is likely to be the dominant factor for financial services providers in 2012. Concerns about the stability of the financial system could end up being reflected in a high degree of volatility on international financial markets. Inflation is currently running at moderate levels. The expansionary monetary policies being pursued by the major central banks look set to continue for the time being. As long as uncertainty persists, volatile risk spreads are likely to result in fluctuating refinancing costs for the whole sector.

Selling prices on international used car markets should remain generally stable in 2012. Price levels could, however, fall in a small number of markets in southern Europe in response to negative economic developments and due to the fact that their used cars inventories are currently at a high levels. The credit risk situation is also expected to remain tense in these countries in 2012.

The consolidation process in the various dealer organisations will continue in some markets in 2012. As a consequence, this trend could possibly have a negative impact on credit risk expense within the industry. Selling cars in European countries affected by the debt crisis is likely to be more difficult than ever.

Outlook for the BMW Group in 2012

The past year was a highly successful one for the BMW Group. In the Automotive segment we surpassed the sales volume target of more than 1.6 million units that we had set ourselves, thus strengthening our position as the world's leading premium car manufacturer. The Financial Services segment recorded dynamic growth and continued to make a key contribution to the BMW Group's performance. The Motorcycles segment also showed that it is in good shape compared to its competitors.

There are, however, indications that the high pace of economic growth seen in the past year will not continue in 2012. Shadows are also being cast by general concerns regarding the stability of the financial system and fears of adverse developments in the sovereign debt crisis. Under these circumstances, the reliability of forecasts is somewhat impaired.

Despite these concerns, the situation looks promising for the BMW Group. We laid the foundation for our current success with our Strategy Number ONE. We enter 2012 with a very young, attractive model range. Global demand for our vehicles remains strong. The BMW X family and the BMW 1, 5, 6 and 7 Series in particular are all enjoying an extremely high degree of popularity. Building on this solid base and with a clear strategy in mind, we will add numerous new and revised models to our product range in 2012.

The latest BMW 3 Series Sedan was launched in February 2012. Now in its sixth generation, this much-loved model is still setting standards in its class. The new BMW 3 Series won broad international acclaim upon making its world debut in October 2011. The Sports Sedan is the best-selling premium model and will provide the sales volume performance of the BMW Group with additional drive. The BMW 6 Series Gran Coupé, the first four-door Coupé in the brand's history, will appear in June and be followed by the model revision of the BMW 7 Series in July.

In March, MINI is adding a new sixth member to its family of models, the MINI Roadster, following the launching of the MINI Coupé in October 2011.

We attach great importance to our strategy of continuing to achieve a reasonable balance of growth in all regions. By investing substantial amounts in our international production network we are building the basis for sustainable profitable growth in the future. In this context, we are currently expanding local production capacities in China. Including the new Tiexi* plant, the plan is to have the capability to produce up to 300,000 vehicles p.a. at the Shenyang site in future. In the medium to long term we also plan to produce up to around 350,000 vehicles p.a. at the US Spartanburg plant. Furthermore, capacities are also being raised in South Africa, India and Russia. Some €2 billion are being invested in production sites in Germany during the years 2011 and 2012.

The BMW Group is a profitable business, built on a strong financial base. We therefore possess the necessary scope to maintain our strong competitive position, even in a highly volatile environment, and simultaneously shape the future of the BMW Group.

Investing in innovative technologies is the key to achieving steady growth. Our Efficient Dynamics technology embodies a ground-breaking strategy and, with it, we have succeeded in substantially reducing levels of fuel consumption and emissions across our entire fleet. It is helping us maintain our leading position in efforts to reduce CO_2 emissions in the premium segment. Connected Drive – which aims to connect vehicles with the surrounding environment – has become the second major focus of our development activities. These innovations increase road safety levels, offer greater convenience and create new options for receiving both information and entertainment while on the move.

In September 2011 we presented the two concept vehicles BMW i3 and i8 to the global public and provided an insight into how mobility will function in the future. The BMW i3 is due to come onto the market in 2013 as the BMW Group's first series-built electric car for city use. It will be followed shortly afterwards by the BMW i8 featuring a plug-in hybrid engine set to combine the dynamic flair of a sports car with the consumption of a compact model. One common feature of these two vehicles, apart from the new drive train technologies, is the extensive use of CFRP. Both of these innovative vehicles

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demonstrate the BMW Group's expertise in the field of lightweight construction. At the same time we are also expanding our field trials with a test fleet of more than 1,000 all-electric-powered BMW ActiveE vehicles to test whether the mass production of electric vehicles is feasible. Drive components and energy storage systems for the series development of the BMW i3 are also being tested in the ActiveE.

The BMW Group remains confident, despite volatile economic conditions, and we are therefore targeting new all-time highs for sales volume and Group profit before tax for the financial year 2012. These forecasts are based on the assumption that general economic conditions remain stable.

Automotive segment
Numerous vehicle innovations plus the success of the existing model range give good reason to believe that the Automotive segment will again perform well in 2012. Assuming political and macro-economic conditions remain stable, we forecast sales volume growth in the single-digit range and hence a new sales volume record. Revenues and earnings are also expected to develop positively in 2012. The new BMW 3 Series, which has been available on markets worldwide since its launch in February, is likely to provide considerable impetus for growth.

We forecast an EBIT margin of between 8 % and 10 % as well as a return on capital employed (RoCE) in excess of 26 % for the Automotive segment. Depending on political and economic developments, actual margins could end up being above or below the targeted range. The financial position of the Automotive segment is also set to remain strong in 2012.

Given the rise in the sales volume growth forecast for 2012, the BMW Group intends to remain the foremost premium car manufacturer in the coming year.

Motorcycles segment
The Motorcycles segment intends to break new ground with its move into urban mobility. The market launches of the BMW Scooter and the Husqvarna street motorcycles are expected to boost sales volumes in 2012, and should also be reflected in revenues and earnings figures.

Financial Services segment
We expect the Financial Services segment to continue to perform strongly in 2012. Major fluctuations on international financial markets that impinge on the real economy will nevertheless remain a source of uncertainty in the coming year. Should the debt crisis become acute, we will still be in a position to limit the impact on our performance by employing the instruments we have developed and put in place to mitigate risk.

We forecast that credit risks and residual value risks will continue to stabilise. By contrast, the level of risk in southern European countries particularly affected by the debt crisis will remain high.

We intend to continue the process of expanding the BMW Bank in 2012. As a credit institution operating throughout Europe, the BMW Bank is already enjoying the benefits of greater flexibility in the areas of liquidity and equity capital management. A further important step for the segment will be to integrate the entities of the ICL Group (acquired in the second half of the year) in the BMW Group’s fleet business.

Based on the assumption that macroeconomic conditions remain stable in 2012, we forecast that the Financial Services segment’s contract portfolio will continue to grow, benefiting both revenues and earnings. In these circumstances, the RoE should once again be no lower than 18 %.

Outlook for 2013
Provided that economic conditions remain stable overall, we forecast a further growth for the BMW Group in 2013, with higher business volumes having a positive impact on revenues and earnings.

New and attractive models will be added to the product range over the course of 2012. For the Automotive segment we forecast that revenues will be higher than in the previous year and that in terms of rates of return, we will once again achieve an EBIT margin of between 8 % and 10 % and a RoCE of more than 26 %. The Financial Services segment is expected to maintain its dynamic growth rate and generate a further increase in the contract portfolio. The RoE target for the segment is unchanged at 18 %. Depending on political and economic developments, margins could be above or below the targeted range.

GROUP FINANCIAL STATEMENTS

BMW Group
Income Statements for Group and Segments
Statement of Comprehensive Income for Group

Income Statements for Group and Segments

in € million

	Note	Group 2011	Group 2010* (adjusted)	Automotive (unaudited supplementary information) 2011	Automotive 2010
Revenues	10	**68,821**	60,477	**63,229**	54,137
Cost of sales	11	**–54,276**	–49,545	**–50,164**	–44,703
Gross profit		**14,545**	10,932	**13,065**	9,434
Sales and administrative costs	12	**–6,177**	–5,529	**–5,260**	–4,778
Other operating income	13	**782**	766	**528**	508
Other operating expenses	13	**–1,132**	–1,058	**–856**	–809
Profit/loss before financial result		**8,018**	5,111	**7,477**	4,355
Result from equity accounted investments	14	**162**	98	**164**	98
Interest and similar income	15	**763**	685	**680**	556
Interest and similar expenses	15	**–943**	–966	**–889**	–871
Other financial result	16	**–617**	–75	**–609**	–251
Financial result		**–635**	–258	**–654**	–468
Profit/loss before tax		**7,383**	4,853	**6,823**	3,887
Income taxes	17	**–2,476**	–1,610	**–1,832**	–1,280
Net profit/loss		**4,907**	3,243	**4,991**	2,607
Attributable to minority interest		**26**	16	**25**	15
Attributable to shareholders of BMW AG	34	**4,881**	3,227	**4,966**	2,592
Earnings per share of common stock in €	18	**7.45**	4.93		
Earnings per share of preferred stock in €	18	**7.47**	4.95		
Dilutive effects		**–**	–		
Diluted earnings per share of common stock in €	18	**7.45**	4.93		
Diluted earnings per share of preferred stock in €	18	**7.47**	4.95		

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Statement of Comprehensive Income for Group

in € million

	Note	2011[1]	2010[1,2] (adjusted)
Net profit		**4,907**	3,243
Available-for-sale securities		**–72**	–16
Financial instruments used for hedging purposes		**–801**	–526
Exchange differences on translating foreign operations		**168**	666
Actuarial losses on defined benefit pension obligations, similar obligations and plan assets	35	**–586**	–277
Deferred taxes relating to components of other comprehensive income		**421**	265
Other comprehensive income for the period (after tax) from equity accounted investments		**–41**	21
Other comprehensive income for the period after tax	21	**–911**	133
Total comprehensive income		**3,996**	3,376
Total comprehensive income attributable to minority interests		**26**	16
Total comprehensive income attributable to shareholders of BMW AG	34	**3,970**	3,360

[1] The line item "Other comprehensive income for the period from equity accounted investments" is presented separately for the first time in the Group Financial Statements for the year ended 31 December 2011.
[2] Adjusted for effect of change in accounting policy for leased products as described in note 8

Motorcycles (unaudited supplementary information)		Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010* (adjusted)	
1,436	1,304	**17,510**	16,617	**5**	4	**–13,359**	–11,585	Revenues
–1,207	–1,095	**–15,013**	–14,798	**–**	–	**12,108**	11,051	Cost of sales
229	**209**	**2,497**	**1,819**	**5**	**4**	**–1,251**	**–534**	**Gross profit**
–176	–140	**–719**	–589	**–27**	–16	**5**	–6	Sales and administrative costs
2	3	**74**	72	**249**	224	**–71**	–41	Other operating income
–10	–1	**–89**	–101	**–246**	–253	**69**	106	Other operating expenses
45	**71**	**1,763**	**1,201**	**–19**	**–41**	**–1,248**	**–475**	**Profit / loss before financial result**
–	–	**–**	–	**–2**	–	**–**	–	Result from equity accounted investments
8	7	**5**	4	**1,739**	1,984	**–1,669**	–1,866	Interest and similar income
–12	–13	**–15**	–7	**–1,841**	–2,058	**1,814**	1,983	Interest and similar expenses
–	–	**37**	16	**–45**	160	**–**	–	Other financial result
–4	**–6**	**27**	**13**	**–149**	**86**	**145**	**117**	Financial result
41	**65**	**1,790**	**1,214**	**–168**	**45**	**–1,103**	**–358**	**Profit / loss before tax**
–12	–20	**–1,053**	–446	**37**	22	**384**	114	Income taxes
29	**45**	**737**	**768**	**–131**	**67**	**–719**	**–244**	**Net profit / loss**
–	–	**–**	1	**1**	–	**–**	–	Attributable to minority interest
29	**45**	**737**	**767**	**–132**	**67**	**–719**	**–244**	**Attributable to shareholders of BMW AG**
								Earnings per share of common stock in €
								Earnings per share of preferred stock in €
								Dilutive effects
								Diluted earnings per share of common stock in €
								Diluted earnings per share of preferred stock in €

BMW Group
Balance Sheets for Group and Segments at 31 December

Assets

in € million	Note	Group 2011	Group 31.12.2010* (adjusted)	Group 1.1.2010* (adjusted)	Automotive (unaudited supplementary information) 2011	Automotive (unaudited supplementary information) 2010
Intangible assets	23	**5,238**	5,031	5,379	**4,682**	4,892
Property, plant and equipment	24	**11,685**	11,427	11,385	**11,444**	11,216
Leased products	25	**23,112**	19,088	19,253	**151**	182
Investments accounted for using the equity method	26	**302**	212	137	**281**	189
Other investments	26	**561**	177	232	**4,520**	3,263
Receivables from sales financing	27	**29,331**	27,126	23,478	**–**	–
Financial assets	28	**1,702**	1,867	1,519	**287**	662
Deferred tax	17	**1,926**	1,393	1,266	**2,276**	1,888
Other assets	30	**568**	692	640	**3,139**	2,473
Non-current assets		**74,425**	**67,013**	**63,289**	**26,780**	**24,765**
Inventories	31	**9,638**	7,766	6,555	**9,309**	7,468
Trade receivables	32	**3,286**	2,329	1,857	**3,014**	1,983
Receivables from sales financing	27	**20,014**	18,239	17,116	**–**	–
Financial assets	28	**3,751**	3,262	3,215	**2,307**	1,911
Current tax	29	**1,194**	1,166	950	**1,065**	1,068
Other assets	30	**3,345**	2,957	2,484	**15,333**	15,871
Cash and cash equivalents	33	**7,776**	7,432	7,767	**5,829**	5,585
Current assets		**49,004**	**43,151**	**39,944**	**36,857**	**33,886**
Total assets		**123,429**	**110,164**	**103,233**	**63,637**	**58,651**

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Equity and liabilities

in € million	Note	Group 2011	Group 31.12.2010* (adjusted)	Group 1.1.2010* (adjusted)	Automotive (unaudited supplementary information) 2011	Automotive (unaudited supplementary information) 2010
Subscribed capital	34	**655**	655	655		
Capital reserves	34	**1,955**	1,939	1,921		
Revenue reserves	34	**26,102**	22,492	19,665		
Accumulated other equity	34	**–1,674**	–1,182	–1,518		
Equity attributable to shareholders of BMW AG	34	**27,038**	23,904	20,723		
Minority interest	34	**65**	26	13		
Equity		**27,103**	**23,930**	**20,736**	**26,154**	**23,993**
Pension provisions	35	**2,183**	1,563	2,972	**811**	349
Other provisions	36	**3,149**	2,721	2,706	**2,840**	2,348
Deferred tax	17	**3,273**	3,400	3,228	**893**	1,726
Financial liabilities	38	**37,597**	35,833	34,391	**1,822**	1,164
Other liabilities	39	**2,911**	2,583	2,281	**3,289**	2,873
Non-current provisions and liabilities		**49,113**	**46,100**	**45,578**	**9,655**	**8,460**
Other provisions	36	**3,104**	2,826	2,058	**2,519**	2,336
Current tax	37	**1,363**	1,198	836	**1,188**	1,026
Financial liabilities	38	**30,380**	26,520	26,934	**1,468**	961
Trade payables	40	**5,340**	4,351	3,122	**4,719**	3,713
Other liabilities	39	**7,026**	5,239	3,969	**17,934**	18,162
Current provisions and liabilities		**47,213**	**40,134**	**36,919**	**27,828**	**26,198**
Total equity and liabilities		**123,429**	**110,164**	**103,233**	**63,637**	**58,651**

* Adjusted for effect of change in accounting policy for leased products as described in note 8 and from the reclassification of actuarial gains and losses on defined benefit pension plans described in note 34 to the Group Financial Statements.

Assets

	Motorcycles (unaudited supplementary information)		Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010* (adjusted)
Intangible assets	**56**	42	**499**	97	**1**	–	**–**	–
Property, plant and equipment	**202**	192	**39**	19	**–**	–	**–**	–
Leased products	**–**	–	**25,900**	20,868	**–**	–	**–2,939**	–1,962
Investments accounted for using the equity method	**–**	–	**–**	–	**21**	23	**–**	–
Other investments	**–**	–	**8**	8	**5,727**	5,134	**–9,694**	–8,228
Receivables from sales financing	**–**	–	**29,331**	27,126	**–**	–	**–**	–
Financial assets	**–**	–	**67**	7	**1,883**	1,622	**–535**	–424
Deferred tax	**–**	1	**216**	603	**373**	320	**–939**	–1,419
Other assets	**–**	–	**1,185**	1,176	**15,384**	12,538	**–19,140**	–15,495
Non-current assets	**258**	**235**	**57,245**	**49,904**	**23,389**	**19,637**	**–33,247**	**–27,528**
Inventories	**318**	290	**11**	8	**–**	–	**–**	–
Trade receivables	**128**	114	**143**	231	**1**	1	**–**	–
Receivables from sales financing	**–**	–	**20,014**	18,239	**–**	–	**–**	–
Financial assets	**–**	–	**877**	815	**955**	854	**–388**	–318
Current tax	**–**	–	**78**	31	**51**	67	**–**	–
Other assets	**33**	44	**2,823**	3,248	**29,098**	29,224	**–43,942**	–45,430
Cash and cash equivalents	**3**	4	**1,518**	1,227	**426**	616	**–**	–
Current assets	**482**	**452**	**25,464**	**23,799**	**30,531**	**30,762**	**–44,330**	**–45,748**
Total assets	**740**	**687**	**82,709**	**73,703**	**53,920**	**50,399**	**–77,577**	**–73,276**

Equity and liabilities

	Motorcycles (unaudited supplementary information)		Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010* (adjusted)
Subscribed capital								
Capital reserves								
Revenue reserves								
Accumulated other equity								
Equity attributable to shareholders of BMW AG								
Minority interest								
Equity	**–**	**–**	**7,169**	**5,216**	**6,576**	**5,261**	**–12,796**	**–10,540**
Pension provisions	**44**	18	**52**	32	**1,276**	1,164	**–**	–
Other provisions	**114**	93	**164**	250	**31**	30	**–**	–
Deferred tax	**–**	2	**4,302**	3,691	**10**	3	**–1,932**	–2,022
Financial liabilities	**–**	–	**13,251**	12,202	**23,059**	22,891	**–535**	–424
Other liabilities	**383**	314	**17,172**	13,619	**27**	22	**–17,960**	–14,245
Non-current provisions and liabilities	**541**	**427**	**34,941**	**29,794**	**24,403**	**24,110**	**–20,427**	**–16,691**
Other provisions	**57**	47	**297**	337	**228**	103	**3**	3
Current tax	**–**	–	**78**	121	**97**	51	**–**	–
Financial liabilities	**–**	–	**16,160**	13,746	**13,141**	12,131	**–389**	–318
Trade payables	**125**	199	**481**	433	**15**	6	**–**	–
Other liabilities	**17**	14	**23,583**	24,056	**9,460**	8,737	**–43,968**	–45,730
Current provisions and liabilities	**199**	**260**	**40,599**	**38,693**	**22,941**	**21,028**	**–44,354**	**–46,045**
Total equity and liabilities	**740**	**687**	**82,709**	**73,703**	**53,920**	**50,399**	**–77,577**	**–73,276**

BMW Group
Cash Flow Statements for Group and Segments

in € million	Note	Group 2011	Group 2010[1,2] (adjusted)
Net profit		**4,907**	3,243
Reconciliation between net profit and cash inflow/outflow from operating activities			
Current tax		**2,868**	1,430
Other interest and similar income/expenses		**1**	42
Depreciation and amortisation of other tangible, intangible and investment assets		**3,654**	3,861
Change in provisions		**779**	911
Change in leased products		**–379**	888
Change in receivables from sales financing		**–2,837**	–4,616
Change in deferred taxes		**–338**	348
Other non-cash income and expense items		**148**	–694
Gain/loss of tangible and intangible assets and marketable securities		**–**	5
Result from equity accounted investments		**–162**	–98
Changes in working capital			
Change in inventories		**–1,715**	–1,170
Change in trade receivables		**–800**	–427
Change in trade payables		**900**	1,194
Change in other operating assets and liabilities		**1,175**	572
Income taxes paid		**–2,701**	–1,318
Interest received		**213**	148
Cash inflow/outflow from operating activities	43	**5,713**	**4,319**
Investment in intangible assets and property, plant and equipment		**–3,679**	–3,263
Proceeds from the disposal of intangible assets and property, plant and equipment		**53**	55
Expenditure for investments		**–543**	–80
Net cash in acquiring ICL Group		**–595**	–
Proceeds from the disposal of investments		**21**	23
Cash payments for the purchase of marketable securities		**–2,073**	–2,723
Cash proceeds from the sale of marketable securities		**1,317**	798
Cash inflow/outflow from investing activities	43	**–5,499**	**–5,190**
Payments into equity		**16**	18
Payment of dividend for the previous year		**–852**	–197
Interest paid		**–82**	–223
Proceeds from the issue of bonds		**5,899**	4,578
Repayment of bonds		**–5,333**	–3,406
Internal financing		**–**	–
Change in other financial liabilities		**191**	–292
Change in commercial paper		**248**	32
Cash inflow/outflow from financing activities	43	**87**	**510**
Effect of exchange rate on cash and cash equivalents		**–13**	**22**
Effect of changes in composition of Group on cash and cash equivalents	43	**56**	**4**
Change in cash and cash equivalents		**344**	**–335**
Cash and cash equivalents as at 1 January		**7,432**	7,767
Cash and cash equivalents as at 31 December	43	**7,776**	**7,432**

[1] Adjusted for reclassification described in note 43 to the Group Financial Statements.
[2] Adjusted for effect of change in accounting policy for leased products as described in note 8
[3] Interest relating to financial services business is classified as revenues/cost of sales.

Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)		
2011	2010[1] (adjusted)	**2011**	2010[1] (adjusted)	
4,991	2,607	**737**	768	Net profit
				Reconciliation between net profit and cash inflow/outflow from operating activities
2,726	1,145	**86**	277	Current tax
95	150	**10**[3]	2[3]	Other interest and similar income/expenses
3,564	3,762	**20**	22	Depreciation and amortisation of other tangible, intangible and investment assets
577	869	**–156**	–49	Change in provisions
29	5	**–1,311**	348	Change in leased products
–	–	**–2,837**	–4,616	Change in receivables from sales financing
–707	27	**804**	440	Change in deferred taxes
–79	116	**–9**	–648	Other non-cash income and expense items
–	4	**1**	1	Gain/loss of tangible and intangible assets and marketable securities
–164	–98	**–**	–	Result from equity accounted investments
				Changes in working capital
–1,685	–1,163	**–2**	1	Change in inventories
–886	–364	**101**	–43	Change in trade receivables
981	1,153	**–16**	47	Change in trade payables
–146	999	**435**	–176	Change in other operating assets and liabilities
–2,453	–1,199	**–171**	–147	Income taxes paid
234	136	**–**[3]	–[3]	Interest received
7,077	**8,149**	**–2,308**	**–3,773**	**Cash inflow/outflow from operating activities**
–3,565	–3,183	**–25**	–10	Investment in intangible assets and property, plant and equipment
50	59	**6**	1	Proceeds from the disposal of intangible assets and property, plant and equipment
–1,201	–577	**–**	–	Expenditure for investments
–249	–	**104**	–	Net cash in acquiring ICL Group
21	23	**–**	–	Proceeds from the disposal of investments
–1,866	–2,620	**–113**	–103	Cash payments for the purchase of marketable securities
1,085	757	**232**	41	Cash proceeds from the sale of marketable securities
–5,725	**–5,541**	**204**	**–71**	**Cash inflow/outflow from investing activities**
16	18	**–**	–	Payments into equity
–852	–197	**–**	–	Payment of dividend for the previous year
–244	–212	**–**[3]	–[3]	Interest paid
–	–	**653**	2,361	Proceeds from the issue of bonds
–	–52	**–925**	–364	Repayment of bonds
–633	2,703	**–610**	204	Internal financing
316	–2,117	**3,229**	68	Change in other financial liabilities
299	–1,519	**–**	–	Change in commercial paper
–1,098	**–1,376**	**2,347**	**2,269**	**Cash inflow/outflow from financing activities**
–10	**22**	**–6**	**–1**	**Effect of exchange rate on cash and cash equivalents**
–	**–**	**54**	**–**	**Effect of changes in composition of Group on cash and cash equivalents**
244	**1,254**	**291**	**–1,576**	**Change in cash and cash equivalents**
5,585	4,331	**1,227**	2,803	Cash and cash equivalents as at 1 January
5,829	**5,585**	**1,518**	**1,227**	**Cash and cash equivalents as at 31 December**

BMW Group
Group Statement of Changes in Equity

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves: Pension obligations	Revenue reserves: Other revenue reserves
1 January 2010 (as originally reported)		**655**	**1,921**	**–**	**20,426**
Change in accounting policy and reclassifications*	8	–	–	–1,582	821
1 January 2010 (adjusted)		**655**	**1,921**	**–1,582**	**21,247**
Net profit		–	–	–	3,227
Other comprehensive income for the period after tax		–	–	–203	–
Comprehensive income 2010		**–**	**–**	**–203**	**3,227**
Premium arising on capital increase relating to preferred stock		–	18	–	–
Dividends paid		–	–	–	–197
Other changes		–	–	–	–
31 December 2010 (adjusted)	34	**655**	**1,939**	**–1,785**	**24,277**

* The adjustments result from the change in accounting policy for leased products described in note 8 to the Group Financial Statements and from the reclassification of actuarial gains and losses on defined benefit pension plans described in note 34 to the Group Financial Statements.

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves: Pension obligations	Revenue reserves: Other revenue reserves
31 December 2010 (adjusted)	34	**655**	**1,939**	**–1,785**	**24,277**
Net profit		–	–	–	4,881
Other comprehensive income for the period after tax		–	–	–419	–
Comprehensive income 2011		**–**	**–**	**–419**	**4,881**
Subscribed share capital increase out of authorised capital		–	16	–	–
Dividends paid		–	–	–	–852
Other changes		–	–	–	–
31 December 2011	34	**655**	**1,955**	**–2,204**	**28,306**

Accumulated other equity: Translation differences	Securities	Derivative financial instruments	Pension obligations	Treasury shares	Equity attributable to shareholders of BMW AG	Minority interest	Total	
–1,747	**20**	**209**	**–1,582**	**–**	**19,902**	**13**	**19,915**	**1 January 2010** (as originally reported)
–	–	–	1,582	–	821	–	**821**	Change in accounting policy and reclassifications*
–1,747	**20**	**209**	**–**	**–**	**20,723**	**13**	**20,736**	**1 January 2010** (adjusted)
–	–	–	–	–	3,227	16	**3,243**	Net profit
683	–11	–336	–	–	133	–	**133**	Other comprehensive income for the period after tax
683	**–11**	**–336**	**–**	**–**	**3,360**	**16**	**3,376**	**Comprehensive income 2010**
–	–	–	–	–	18	–	**18**	Premium arising on capital increase relating to preferred stock
–	–	–	–	–	–197	–	**–197**	Dividends paid
–	–	–	–	–	–	–3	**–3**	Other changes
–1,064	**9**	**–127**	**–**	**–**	**23,904**	**26**	**23,930**	**31 December 2010** (adjusted)

Accumulated other equity: Translation differences	Securities	Derivative financial instruments	Pension obligations	Treasury shares	Equity attributable to shareholders of BMW AG	Minority interest	Total	
–1,064	**9**	**–127**	**–**	**–**	**23,904**	**26**	**23,930**	**31 December 2010** (adjusted)
–	–	–	–	–	4,881	26	**4,907**	Net profit
201	–70	–623	–	–	–911	–	**–911**	Other comprehensive income for the period after tax
201	**–70**	**–623**	**–**	**–**	**3,970**	**26**	**3,996**	**Comprehensive income 2011**
–	–	–	–	–	16	–	**16**	Subscribed share capital increase out of authorised capital
–	–	–	–	–	–852	–	**–852**	Dividends paid
–	–	–	–	–	–	13	**13**	Other changes
–863	**–61**	**–750**	**–**	**–**	**27,038**	**65**	**27,103**	**31 December 2011**

1 — Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW Group Financial Statements or Group Financial Statements) at 31 December 2011 have been drawn up in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the EU. The designation "IFRSs" also includes all valid International Accounting Standards (IASs). All Interpretations of the IFRS Interpretations Committee (IFRICs) mandatory for the financial year 2011 are also applied.

The Group Financial Statements comply with § 315a of the German Commercial Code (HGB). This provision, in conjunction with the Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002, relating to the application of International Financial Reporting Standards, provides the legal basis for preparing consolidated financial statements in accordance with international standards in Germany and applies to financial years beginning on or after 1 January 2005.

The BMW Group and segment income statements are presented using the cost of sales method. The Group and segment balance sheets correspond to the classification provisions contained in IAS 1 (Presentation of Financial Statements).

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 year.

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 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. This supplementary information is unaudited.

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 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. Further information regarding the allocation of activities of the BMW Group to segments and a description of the segments is provided in note 49.

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 Interpretation 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 volume of the assets sold at 31 December 2011 totalled €9.4 billion (2010: €7.5 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 Group currency is the euro. All amounts are disclosed in millions of euros (€million) unless stated otherwise.

Bayerische Motoren Werke Aktiengesellschaft has its seat in Munich, Petuelring 130, and is registered in the Commercial Register of the District Court of Munich under the number HRB 42243.

All consolidated subsidiaries have the same year-end as BMW AG with the exception of BMW India Private Limited, New Delhi (year-end: 31 March).

The Group Financial Statements, drawn up in accordance with § 315 a HGB, and the Combined Group and Company Management Report for the financial year ended 31 December 2011 will be submitted to the operator of the electronic version of the German Federal

Gazette and can be obtained via the Company Register website. Printed copies will also be made available on request. In addition the Group Financial Statements and the Combined Group and Company Management Report can be downloaded from the BMW Group website at www.bmwgroup.com/ir.

The Board of Management authorised the Group Financial Statements for issue on 16 February 2012.

2 — Consolidated companies

The BMW Group Financial Statements include, besides BMW AG, all material subsidiaries, six special purpose securities funds and 23 special purpose trusts (almost all used for asset-backed financing transactions).

The number of subsidiaries, special purpose securities funds and other special purpose trusts included in the Group Financial Statements changed in 2011 as follows:

	Germany	Foreign	**Total**
Included at 31 December 2010	30	146	**176**
Included for the first time in 2011	–	29	**29**
No longer included in 2011	4	8	**12**
Included at 31 December 2011	**26**	**167**	**193**

48 subsidiaries (2010: 51), either dormant or generating a negligible volume of business, are not consolidated on the grounds that their inclusion would not influence the economic decisions of users of the Group Financial Statements. Non-inclusion of operating subsidiaries reduces total Group revenues by 0.7 % (2010: 0.3 %).

The joint venture BMW Brilliance Automotive Ltd., Shenyang, and the investment in Cirquent GmbH, Munich, are accounted for using the equity method. The entities SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE, (all joint ventures with the SGL Carbon Group) are also accounted for using the equity method. The joint ventures BMW Peugeot Citroën Electrification B.V., The Hague, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, are also included for the first time in the financial year 2011 and accounted for using the equity method. 18 (2010: 13) participations are not consolidated using the equity method on the grounds of immateriality. They are included in the balance sheet in the line "Other investments", measured at cost less, where applicable, accumulated impairment losses.

A "List of Group Investments" pursuant to § 313 (2) HGB will be submitted to the operator of the electronic version of the German Federal Gazette. This list, along with the "List of Third Party Companies which are not of Minor Importance for the Group", will also be posted on the BMW Group website at www.bmwgroup.com/ir.

BMW Bank OOO, Moscow, BMW Automotive Finance (China) Co., Ltd., Beijing, BMW Consolidation Services Co., LLC, Wilmington, DE, and BMW Asia Pacific Capital Pte Ltd., Singapore, were consolidated for the first time in the financial year 2011. Similarly, all acquired entities – with the exception of investments in which the BMW does not have a controlling interest – have been consolidated for the first time in the financial year 2011. Detailed information on business acquisitions is provided in note 3.

Bürohaus Petuelring GmbH & Co. Vermietungs KG, Munich, was merged with Bürohaus Petuelring GmbH, Munich, by dint of law (automatic merger). In addition, BMW Maschinenfabrik Spandau GmbH, Berlin, was merged with BMW AG, Munich, with retrospective effect from 1 January 2011. As a result, Bürohaus Petuelring GmbH & Co. Vermietungs KG, Munich, and BMW Maschinenfabrik Spandau GmbH, Berlin, ceased to be consolidated entities. In addition, BMW Vertriebs GmbH & Co. oHG, Dingolfing, was automatically merged with BMW Leasing GmbH, Munich, by dint of law (automatic merger). Subsequently, BMW Leasing GmbH, Munich, was merged with BMW Bank GmbH, Munich with retrospective effect from 1 January 2011. As a result, BMW Vertriebs GmbH & Co. oHG, Dingolfing, and BMW Leasing GmbH, Munich, ceased to be consolidated entities.

The Group reporting entity also changed by comparison to the previous year as a result of the first-time consolidation of twelve special purpose trusts and the deconsolidation of eight special purpose trusts.

3 — Business acquisitions

The BMW Group acquired 15 entities of the ING Car Lease Group (ICL Group) with effect from 30 September 2011 as part of a share deal. The purchase consideration was paid in cash. All of the acquired entities operate in the car leasing business within the European region. This acquisition expands the BMW Group's international customer base and its portfolio of products and services in the field of fleet management.

BMW France S. A., Montigny-le-Bretonneux, acquired 100 % of the shares of ING Car Lease France S. N. C., Paris, as well as 100 % of the shares of ETS Garcia S. A., Paris. As a result of the acquisition of ETS Garcia S. A., Paris, BMW France S. A., Montigny-le-Bretonneux also indirectly owns all of the shares of Société Nouvelle WATT Automobiles SARL, Paris. ING Car Lease France S. N. C., Paris, subsequently changed its name to Alphabet France Fleet Management S. N. C., Paris.

BMW Österreich Holding GmbH, Steyr, acquired 100 % of the shares of ING Car Lease Polska Sp. z o.o., Warsaw, ING Car Lease Belgium Long Term Rental N.V., Aartselaar, ING Car Lease Belgium Short Term Rental N.V., Aartselaar, and ING Car Lease España S. A. U., Madrid. These four entities subsequently changed their names to Alphabet Polska Fleet Management Sp. z o.o., Warsaw, Alphabet Belgium Long Term Rental N.V., Aartselaar, Alphabet Belgium Short Term Rental N.V., Aartselaar, and Alphabet España Fleet Management S. A. U., Madrid, respectively. As a result of the acquisition of ING Car Lease Belgium Short Term Rental N.V., Aartselaar, and ING Car Lease Belgium Long Term Rental N.V., Aartselaar, all of the shares of ING Car Lease Luxembourg S. A., Luxembourg – which changed its name to Alphabet Luxembourg S. A., Luxembourg, in December 2011 – are also now held indirectly by BMW Österreich Holding GmbH, Steyr. Similarly, as a result of the acquisition of ING Car Lease España S. A. U., Madrid, BMW Österreich Holding GmbH, Steyr also indirectly holds 20 % of the shares of Autopark Renting de Vehículos S. A., Madrid, and 47.5 % of the shares of U.T.E. Universal Lease – Carsan – Bujarkay Ley, Seville.

BMW Holding B.V., The Hague, acquired 100 % of the shares of ING Car Lease (Nederland) B.V., Breda, ING Car Lease International B.V., Amsterdam, Noord Lease B.V., Groningen, ING Car Lease Italia S. p. A., Rome, and ING Car Lease UK Limited, Glasgow. ING Car Lease (Nederland) B.V., Breda, and ING Car Lease International B.V., Amsterdam, changed their names to Alphabet Nederland B.V., Amsterdam, and Alphabet International B.V., Breda, respectively. In December 2011 ING Car Lease Italia S. p. A., Rome, and ING Car Lease UK Limited, Glasgow, changed their names to Alphabet Italia Fleet Management S. p. A., Rome, and Alphabet (UK) Fleet Management Limited, Glasgow, respectively.

With the exception of the entities in which the Group only has non-controlling interests, all of the entities acquired are fully consolidated. The entities in which the Group only has non-controlling interests are not material for the BMW Group and are measured at cost in the consolidated balance sheet.

Due to the fact that the closing process and purchase price allocation as at 30 September 2011 had not been definitively completed by the time of first-time inclusion in the third quarter 2011, the amounts attributed to assets and liabilities at that stage were provisional. The closing process and purchase price allocation were completed by 31 December 2011. The following fair values were allocated to assets and liabilities as initial carrying amounts on first-time consolidation at 30 September 2011 and in the Group Financial Statements for the year ended 31 December 2011:

in € million	Fair values at 30 September 2011: Provisional amounts at 30 September 2011	Fair values at 30 September 2011: Definitive amounts at 31 December 2011
Assets		
Intangible assets	81	**143**
Property, plant and equipment	23	**23**
Leased products	3,620	**3,385**
Receivables from sales financing	138	**229**
Deferred tax	67	**57**
Other assets	235	**249**
Payables and provisions		
Other provisions	3	**29**
Deferred tax liabilities	155	**108**
Financial liabilities	3,181	**3,203**
Trade payables	109	**71**
Current tax	40	**31**
Other liabilities	188	**203**
Net assets acquired	**488**	**441**
Cost	696	**699**
Goodwill	**208**	**258**

The fair value of receivables from sales financing amounted to €229 million, comprising a gross amount of €236 million and an allowance of €7 million.

Goodwill was allocated in full to the Financial Services segment. The amount recognised as goodwill is not tax deductible.

Customer bases and order books acquired at the time of the share deal were recognised as intangible assets. The contract portfolio relating to leased products was measured at its fair value.

Transaction costs of €8 million were recognised as expense and reported in other operating expenses.

The remainder of the surplus (€258 million) of acquisition cost over the fair value of the identifiable net assets acquired is largely attributable to potential synergy benefits which will arise from the future growth of the Group's fleet business.

Up to the end of the third quarter 2011, the acquired entities generated an after-tax profit of €61 million on revenues of €1,549 million. Post-acquisition, they recorded a post-tax loss of €27 million on revenues of €501 million.

There were no acquisitions in 2010.

4 Consolidation principles

The equity of subsidiaries is consolidated in accordance with IFRS 3 (Business Combinations). IFRS 3 requires that all business combinations are accounted for using the acquisition method, whereby identifiable assets and liabilities acquired are measured at their fair value at acquisition date. An excess of acquisition cost over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities is recognised as goodwill as a separate balance sheet line item and allocated to the relevant cash-generating unit (CGU). Goodwill of €91 million which arose prior to 1 January 1995 remains netted against reserves.

Receivables, payables, provisions, income and expenses and profits between consolidated companies (intra-group profits) are eliminated on consolidation.

Under the equity method, investments are measured at the BMW Group's share of equity taking account of fair value adjustments on acquisition. Any difference between the cost of investment and the Group's share of equity is accounted for in accordance with the acquisition method. Investments in other companies are accounted for as a general rule using the equity method when significant influence can be exercised (IAS 28 Investments in Associates). There is a rebuttable assumption that the Group has significant influence if it holds between 20% and 50% of the associated company's voting power.

5 — Foreign currency translation

The financial statements of consolidated companies which are drawn up in a foreign currency are translated using the functional currency concept (IAS 21 The Effects of Changes in Foreign Exchange Rates) and the modified closing rate method. The functional currency of a subsidiary is determined as a general rule on the basis of the primary economic environment in which it operates and corresponds therefore to the relevant local currency. Income and expenses of foreign subsidiaries are translated in the Group Financial Statements at the average exchange rate for the year, and assets and liabilities are translated at the closing rate. Exchange differences arising from the translation of shareholders' equity are offset directly against accumulated other equity. Exchange differences arising from the use of different exchange rates to translate the income statement are also offset directly against accumulated other equity.

Foreign currency receivables and payables in the single entity accounts of BMW AG and subsidiaries are recorded, at the date of the transaction, at cost. Exchange gains and losses computed at the balance sheet date are recognised as income or expense.

The exchange rates of those currencies which have a material impact on the Group Financial Statements were as follows:

	Closing rate		Average rate	
	31.12.2011	31.12.2010	**2011**	2010
US Dollar	**1.30**	1.34	**1.39**	1.33
British Pound	**0.84**	0.86	**0.87**	0.86
Chinese Renminbi	**8.17**	8.80	**9.00**	8.97
Japanese Yen	**100.15**	108.61	**111.00**	116.29

6 — Accounting principles

The financial statements of BMW AG and of its subsidiaries in Germany and elsewhere have been prepared for consolidation purposes using uniform accounting policies in accordance with IAS 27 (Consolidated and Separate Financial Statements).

Revenues from the sale of products are recognised when the risks and rewards of ownership of the goods are transferred to the customer, provided that the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and costs incurred or to be incurred in respect of the sale can be measured reliably. Revenues are stated net of settlement discount, bonuses and rebates. Revenues also include lease rentals and interest income earned in conjunction with financial services. Revenues from leasing instalments relate to operating leases and are recognised in the income statement on a straight line basis over the relevant term of the lease. Interest income from finance leases and from customer and dealer financing are recognised using the effective interest method and reported as revenues within the line item "Interest income on loan financing". If the sale of products includes a determinable amount for subsequent services (multiple-component contracts), the related revenues are deferred and recognised as income over the period of the contract. Amounts are normally recognised as income by reference to the pattern of related expenditure.

Profits arising on the sale of vehicles for which a Group company retains a repurchase commitment (buy-back contracts) are not recognised until such profits have been realised. The vehicles are included in inventories and stated at cost.

Cost of sales comprises the cost of products sold and the acquisition cost of purchased goods sold. In addition to directly attributable material and production costs, it also includes research costs and development costs not recognised as assets, the amortisation of capitalised development costs as well as overheads (including depreciation of property, plant and equipment and amortisation of other intangible assets relating to production) and write-downs on inventories. Cost of sales also includes freight and insurance costs relating to deliveries to dealers and agency fees on direct sales. Expenses which are directly attributable to financial services business and interest expense from refinancing the entire financial services business, including the expense of risk provisions and write-downs, are reported in cost of sales.

In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), **public sector grants** are not recognised until there is reasonable assurance that the conditions attaching to them have been complied with and the grants will be received. They are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate.

Basic earnings per share are computed in accordance with IAS 33 (Earnings per Share). Undiluted 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. The net profit is allocated accordingly to the different categories of stock. The portion of the Group net profit for the year which is not being distributed is allocated to each category of stock based on the number of outstanding shares. Profits available for distribution are determined directly on the basis of the dividend resolutions passed for common and preferred stock. Diluted earnings per share would have to be disclosed separately.

Share-based remuneration programmes which are expected to be settled in shares are, in accordance with IFRS 2 (Share-based Payments), measured at their fair value at grant date. The related expense is recognised in the income statement (as personnel expense) over the vesting period, with a contra (credit) entry recorded against capital reserves.

Share-based remuneration programmes expected to be settled in cash are revalued to their fair value at each balance sheet date between the grant date and the settlement date and on the settlement date itself. The expense for such programmes is recognised in the income statement (as personnel expense) over the vesting period of the programmes and recognised in the balance sheet as a provision.

The Board of Management share-based remuneration programme entitles BMW AG to elect whether to settle its commitments in cash or with shares of BMW AG common stock. Following the decision to settle in cash, the Board of Management share-based remuneration programme is accounted for as a cash-settled share-based transaction.

Further information on share-based remuneration programmes is provided in note 20.

Purchased and internally-generated **intangible assets** are recognised as assets in accordance with IAS 38 (Intangible Assets), where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably. Such assets are measured at acquisition and/or manufacturing cost and, to the extent that they have a finite useful life, amortised over their estimated useful lives. With the exception of capitalised development costs, intangible assets are generally amortised over their estimated useful lives of between three and five years.

Development costs for vehicle and engine projects are capitalised at manufacturing cost, to the extent that attributable costs can be measured reliably and both technical feasibility and successful marketing are assured. It must also be probable that the development expenditure will generate future economic benefits. Capitalised development costs comprise all expenditure that can be attributed directly to the development process, including development-related overheads. Capitalised development costs are amortised systematically over the estimated product life (usually seven years) following start of production.

Goodwill arises on first-time consolidation of an acquired business when the cost of acquisition exceeds the Group's share of the fair value of the individually identifiable assets acquired and liabilities and contingent liabilities assumed.

All items of **property, plant and equipment** are considered to have finite useful lives. They are recognised at acquisition or manufacturing cost less scheduled depreciation based on the estimated useful lives of the assets. Depreciation on property, plant and equipment reflects the pattern of their usage and is generally computed using the straight-line method. Components of items of property, plant and equipment with different useful lives are depreciated separately.

Systematic depreciation is based on the following useful lives, applied throughout the BMW Group:

in years	
Factory and office buildings, distribution facilities and residential buildings	8 to 50
Plant and machinery	4 to 21
Other equipment, factory and office equipment	3 to 10

For machinery used in multiple-shift operations, depreciation rates are increased to account for the additional utilisation.

The cost of internally constructed plant and equipment comprises all costs which are directly attributable to the manufacturing process and an appropriate proportion of production-related overheads. This includes production-related depreciation and an appropriate proportion of administrative and social costs.

As a general rule, borrowing costs are not included in acquisition or manufacturing cost. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as a part of the cost of that asset in accordance with IAS 23 (Borrowing Costs).

Non-current assets also include assets relating to **leases**. The BMW Group uses property, plant and equipment as lessee on the one hand and leases out vehicles produced by the Group and other brands as lessor on the other. IAS 17 (Leases) contains rules for determining, on the basis of risks and rewards, the economic owner of the assets. In the case of finance leases, the assets are attributed to the lessee and in the case of operating leases the assets are attributed to the lessor.

In accordance with IAS 17, assets leased under finance leases are measured at their fair value at the inception of the lease or at the present value of the lease payments, if lower. The assets are depreciated using the straight-line method over their estimated useful lives or over the lease period, if shorter. The obligations for future lease instalments are recognised as financial liabilities.

Where Group products are recognised by BMW Group entities as **leased products** under operating leases, they are measured at manufacturing cost. All other leased products are measured at acquisition cost. All leased products are depreciated over the period of the lease using the straight-line method down to their expected residual value. If the recoverable amount is lower than the expected residual value, an impairment loss is recognised for the shortfall. A test is carried out at each balance sheet date to determine whether an impairment loss recognised for an asset in prior years no longer exists or has decreased. In these cases, the carrying amount of the asset is increased to the recoverable amount. The higher carrying amount resulting from the reversal may not, however, exceed the rolled-forward amortised cost of the asset.

If there is any evidence of **impairment of non-financial assets** (except inventories and deferred taxes), or if an annual impairment test is required to be carried out – i.e. for intangible assets not yet available for use, intangible assets with an indefinite useful life and goodwill acquired as part of a business combination – an impairment test pursuant to IAS 36 (Impairment of Assets) is performed. Each individual asset is tested separately unless the asset generates cash flows that are largely independent of the cash flows from other assets or groups of assets (cash-generating units/CGUs). For the purposes of the impairment test, the asset's carrying amount is compared with its recoverable amount, the latter defined as the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised when the recoverable amount is lower than the asset's carrying amount. Fair value less costs to sell corresponds to the amount obtainable from the sale of an asset or groups of assets, less the costs of disposal. The value in use corresponds to the present value of future cash flows expected to be derived from an asset or groups of assets.

The first step of the impairment test is to determine the value in use of an asset. If the calculated value in use is lower than the carrying amount of the asset, then its fair value less costs to sell are also determined. If the latter is also lower than the carrying amount of the asset, then an impairment loss is recorded, reducing the carrying amount to the higher of the asset's value in use or fair value less costs to sell. The value in use is determined on the basis of a present value computation. Cash flows used for the purposes of this calculation are derived from long-term forecasts approved by management and which cover a planning period of six years. The long-term forecasts themselves are based on detailed forecasts drawn up at an operational level. For the purposes of calculating cash flows beyond the planning period, the asset's assumed residual value does not take growth into account. Forecasting assumptions are continually brought up to date and take account of economic developments and past experience. Cash flows of the Automotive and Motorcycles CGUs are discounted using a risk-adjusted pre-tax cost of capital (WACC) of 12.0 %. In the case of the Financial Services CGU, a pre-tax cost of equity capital of 12.7 % (customary for the sector) is used.

If the reason for a previously recognised impairment loss no longer exists, the impairment loss is reversed up to the level of the recoverable amount, capped at the level of rolled-forward amortised cost. This does not apply to goodwill: previously recognised impairment losses on goodwill are not reversed.

Investments accounted for using the equity method are (except when the investment is impaired) measured at the Group's share of equity taking account of fair value adjustments on acquisition.

Investments in non-consolidated Group companies reported in **other investments** are measured at cost or, if lower, at their fair value.

Participations are measured at their quoted market price or fair value. When, in individual cases, these values are not available or cannot be determined reliably, participations are measured at cost.

Non-current marketable securities are measured according to the category of financial asset to which they are classified. No held-for-trading financial assets are included under this heading.

A **financial instrument** is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Once the BMW Group becomes party to such to a contract, the financial instrument is recognised either as a financial asset or as a financial liability.

Financial assets are accounted for on the basis of the settlement date. On initial recognition, they are measured at their fair value. Transaction costs are included in the fair value unless the financial assets are allocated to the category "financial assets measured at fair value through profit or loss".

Subsequent to initial recognition, available-for-sale and held-for-trading financial assets are measured at their fair value. When market prices are not available, the fair value of available-for-sale financial assets is measured using appropriate valuation techniques e.g. discounted cash flow analysis based on market information available at the balance sheet date.

Available-for-sale assets include financial assets, securities and investment fund shares. This category includes all non-derivative financial assets which are not classified as "loans and receivables" or "held-to-maturity investments" or as items measured "at fair value through profit and loss".

Loans and receivables which are not held for trading and held-to-maturity financial investments with a fixed term are measured at amortised cost using the effective interest method. All financial assets for which published price quotations in an active market are not available and whose fair value cannot be determined reliably are required to be measured at cost.

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement), assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. Impairment losses identified after carrying out an impairment test are recognised as an expense. Gains and losses on available-for-sale financial assets are recognised directly in equity until the financial asset is disposed of or is determined to be impaired, at which time the cumulative loss previously recognised in equity is reclassified to profit or loss for the period.

With the exception of derivative financial instruments, all **receivables and other current assets** relate to loans and receivables which are not held for trading. All such items are measured at amortised cost. Receivables with maturities of over one year which bear no or a lower-than-market interest rate are discounted. Appropriate impairment losses are recognised to take account of all identifiable risks.

Receivables from sales financing comprise receivables from retail customer, dealer and lease financing.

Impairment losses on receivables relating to financial services business are recognised using a uniform methodology that is applied throughout the Group and meets the requirements of IAS 39. This methodology results in the recognition of impairment losses both on individual assets and on groups of assets. If there is objective evidence of impairment, the BMW Group recognises impairment losses on the basis of individual assets. Within the customer retail business, the existence of overdue balances or the incidence of similar events in the past are examples of such objective evidence. In the event of overdue receivables, impairment losses are always recognised individually based on the length of period of the arrears. In the case of dealer financing receivables, the allocation of the dealer to a corresponding rating category is also deemed to represent objective evidence of impairment. If there is no objective evidence of impairment, impairment losses are recognised on financial assets using a portfolio approach based on similar groups of assets. Company-specific loss probabilities and loss ratios, derived from historical data, are used to measure impairment losses on similar groups of assets.

The recognition of impairment losses on receivables relating to industrial business is also, as far as possible, based on the same procedures applied to financial services business.

Impairment losses (write-downs and allowances) on receivables are always recorded on separate accounts and derecognised at the same time the corresponding receivables are dercognised.

Items are presented as **financial assets** to the extent that they relate to financing transactions.

Derivative financial instruments are only used within the BMW Group for hedging purposes in order to reduce currency, interest rate, fair value and market price risks from operating activities and related financing requirements. All derivative financial instruments (such as interest, currency and combined interest/currency swaps, forward currency and forward commodities contracts) are measured in accordance with IAS 39 at their fair value, irrespective of their purpose or the intention for which they are held. The fair values of derivative financial instruments are measured using market information and recognised valuation techniques. In those cases where hedge accounting is applied, changes in fair value are recognised either in income or directly in equity under accumulated other equity, depending on whether the transactions are classified as fair value hedges or cash flow hedges. In the case of fair value hedges, the results of the fair value measurement of the derivative financial instruments and the related hedged items are recognised in the income statement. In the case of fair value changes in cash flow hedges which are used to mitigate the future cash flow risk on a recognised asset or liability or on forecast transactions, unrealised gains and losses on the hedging instrument are recognised initially directly in accumulated other equity. Any such gains or losses are recognised subsequently in the income statement when the hedged item (usually external revenue) is recognised in the income statement. The portion of the gains or losses from fair value measurement not relating to the hedged item is recognised immediately in the income statement. If, contrary to the normal case within the BMW Group, hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the income statement.

In accordance with IAS 12 (Income Taxes), **deferred taxes** are recognised on all temporary differences between the tax and accounting bases of assets and liabilities and on consolidation procedures. Deferred tax assets also include claims to future tax reductions which arise from the expected usage of existing tax losses available for carryforward to the extent that future usage is probable. Deferred taxes are computed using enacted or planned tax rates which are expected to apply in the relevant national jurisdictions when the amounts are recovered.

Inventories of raw materials, supplies and goods for resale are stated at the lower of average acquisition cost and net realisable value.

Work in progress and finished goods are stated at the lower of average manufacturing cost and net realisable value. Manufacturing cost comprises all costs which are directly attributable to the manufacturing process and an appropriate proportion of production-related overheads. This includes production-related depreciation and an appropriate proportion of administrative and social costs.

Borrowing costs are not included in the acquisition or manufacturing cost of inventories.

Cash and cash equivalents comprise mainly cash on hand and cash at bank with an original term of up to three months.

Provisions for pensions and similar obligations are recognised using the projected unit credit method in accordance with IAS 19 (Employee Benefits). Under this method, not only obligations relating to known vested benefits at the reporting date are recognised, but also the effect of future increases in pensions and salaries. This involves taking account of various input factors which are evaluated on a prudent basis. The calculation is based on an independent actuarial valuation which takes into account all relevant biometric factors.

Actuarial gains and losses arising on defined benefit pension and similar obligations and on plan assets are recognised, net of deferred tax, directly in equity (revenue reserves). This accounting treatment is meant to make it clear that these amounts will not be reclassified to the income statement in future periods.

The expense related to the reversal of discounting on pension obligations and the income from the expected return on pension plan assets are reported separately as part of the financial result. All other costs relating to allocations to pension provisions are allocated to costs by function in the income statement.

Other provisions are recognised when the BMW Group has a present obligation arising from past events, the settlement of which is probable and when a reliable estimate can be made of the amount of the obligation. Measurement is computed on the basis of fully attributable costs. Non-current provisions with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation at the end of the reporting period.

Financial liabilities are measured on first-time recognition at cost which corresponds to the fair value of the consideration given. Transaction costs are also taken into account except for financial liabilities allocated to the category "financial liabilities measured at fair value through profit or loss". Subsequent to initial recognition, liabilities are – with the exception of derivative financial instruments – measured at amortised cost using the effective interest method. The BMW Group has no liabilities which are held for trading. Liabilities from finance leases are stated at the present value of the future lease payments and disclosed under other financial liabilities.

7 — Assumptions, judgements and estimations

The preparation of the Group Financial Statements in accordance with IFRSs 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. Judgements have to be made in particular when assessing whether the risks and rewards incidental to ownership of a leased asset have been transferred and, hence, the classification of leasing arrangements. Major items requiring assumptions and estimations are described below.
The assumptions used are continuously checked for their validity. Actual amounts could differ from the assumptions and estimations used if business conditions develop differently to the Group's expectations.

Estimations are required to assess the **recoverability of a cash-generating unit (CGU)**. If the recoverability of an asset is being tested at the level of a CGU, assumptions must be made with regard to future cash inflows and outflows, involving in particular an assessment of the forecasting period to be used and of developments after that period. Forecasting assumptions are determined by management in order to calculate future cash flows, including assumptions about future macroeconomic developments, market developments relevant for the automotive sector and the legal environment.

The BMW Group regularly checks the **recoverability of its leased products**. One of the main assumptions required for leased products relates to their residual value since this represents a significant portion of future cash inflows. In order to estimate the level of prices likely to be achieved in the future, the BMW Group incorporates internally available historical data, current market data and forecasts of external institutions into its calculations. Internal back-testing is applied to validate the estimations made. Further information is provided in note 25.

The bad debt risk relating to **receivables from sales financing** is assessed regularly by the BMW Group. For these purposes, the main factors taken into consideration are past experience, current market data (such as the level of financing business arrears), rating classes and scoring information. Further information is provided in note 27.

Estimations are required for the purposes of recognising and measuring **provisions for guarantee and warranty obligations**. In addition to statutorily prescribed manufacturer warranties, the BMW Group also offers various categories of guarantee depending on the product and sales market concerned. Provisions for guarantee and warranty obligations are recognised at the beginning of a lease or sales contract or when a new category of guarantee is introduced. Various factors are taken into consideration when estimating the level of the provision, including past experience with the nature and amount of claims as well as an assessment of future potential repair and maintenance costs. Further information is provided in note 36.

BMW AG and its subsidiaries recognise **provisions for litigation and liability risks** when an outflow of resources is probable and a reliable estimate can be made of the amount of the obligation. Management is required to make assumptions with respect to the probability of incurrence, the amount involved and the duration of the legal dispute. For these reasons, the recognition and measurement of provisions for litigation and liability risks are subject to uncertainty. Further information is provided in note 36.

The calculation of **pension provisions** requires assumptions to be made with regard to discount factors, salary trends, employee fluctuation, the life expectancy of employees and the expected rate of return on plan assets. Discount factors are determined annually by reference to market yields at the end of the reporting period on high quality corporate bonds. A company-specific default risk is not taken into account. The salary level trend refers to the expected rate of salary increase which is estimated annually depending on inflation and the career development of employees within the Group. The expected rate of return on plan assets is based on market expectations prevailing at the beginning of the reporting period for investment income over the remaining period of the obligation and is determined for the relevant asset classes in which plan assets are invested, taking account of costs and unplanned risks. Further information is provided in note 35.

The calculation of **deferred tax assets** requires assumptions to be made with regard to the level of future taxable income and the timing of recovery of deferred tax assets. These assumptions take account of forecast operating results and the impact on earnings of the reversal of taxable temporary differences. Since future business developments cannot be predicted with certainty and to some extent cannot be influenced by the BMW Group, the measurement of deferred tax assets is subject to uncertainty. Further information is provided in note 17.

8 — Changes in accounting policies

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, scheduled depreciation is adjusted prospectively over the remaining term of the lease contract. If, however, the recoverable amount is lower than the residual value, an impairment loss is recognised for the shortfall. A test is carried out at each balance sheet date to determine whether an impairment loss recognised in prior years no longer exists or has decreased. In these cases, the carrying amount of the asset is increased to the recoverable amount. The higher carrying amount resulting from the reversal may not, however, exceed the rolled-forward amortised cost of the asset. The BMW Group considers that the change in accounting policy results in a measurement of leased products that better reflects their value from a business perspective.

The corresponding comparative figures in the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Group Financial Statements have been adjusted accordingly. The change in accounting policy did not result in any change in the presentation of segment information by operating segment.

The change in accounting policy was applied retrospectively and resulted in the following adjustments:

Change in presentation of the Group balance sheet

31 December 2010 in € million	As originally reported	Change in accounting policy	As reported
Leased products	17,791	1,297	19,088
Non-current assets	65,716	1,297	67,013
Other revenue reserves	23,447	830	24,277
Equity	23,100	830	23,930
Deferred tax liabilities	2,933	467	3,400
Non-current provisions and liabilities	45,633	467	46,100
Balance sheet total	**108,867**	**1,297**	**110,164**

1 January 2010 in € million	As originally reported	Change in accounting policy	As reported
Leased products	17,973	1,280	19,253
Non-current assets	62,009	1,280	63,289
Other Revenue reserves	20,426	821	21,247
Equity	19,915	821	20,736
Deferred tax liabilities	2,769	459	3,228
Non-current provisions and liabilities	45,119	459	45,578
Balance sheet total	**101,953**	**1,280**	**103,233**

Change in presentation in the income statement

2010 in € million	As originally reported	Change in accounting policy	As reported
Cost of sales	–49,562	17	–49,545
Gross profit	10,915	17	10,932
Profit before financial result	5,094	17	5,111
Profit before tax	4,836	17	4,853
Income taxes	–1,602	–8	–1,610
Net profit	3,234	9	3,243
Attributable to shareholders of BMW AG	3,218	9	3,227
Earnings per share of common stock in €	4.91	0.02	4.93
Earnings per share of preferred stock in €	4.93	0.02	4.95
Diluted earnings per share of common stock in €	4.91	0.02	4.93
Diluted earnings per share of preferred stock in €	4.93	0.02	4.95

Change in presentation of the Statement of Cash Flows

The net profit for the financial year ended 31 December 2010 increased by €9 million as a result of the change in accounting policy for leased products. In addition, the line items "Change in leased products" decreased by €17 million and "Change in deferred taxes" increased by €8 million. These adjustments did not have any impact on the cash inflow from operating activities. Further information is provided in note 43.

9 — New financial reporting rules

(a) Financial reporting rules applied for the first time in the financial year 2011

The following Standards, Revised Standards, Amendments and Interpretations issued by the IASB were applied for the first time in the financial year 2011:

Standard/ Interpretation	Nature of change	Date of mandatory application	Endorsed by EU	Impact on BMW Group
IFRS 1	Exemption from Comparative IFRS 7 Disclosures	1.1.2011	Yes	None
IAS 24	Related Party Disclosures	1.1.2011	Yes	Not significant
IAS 32	Classification of Subscription Rights	1.1.2011	Yes	None
	Annual Improvements to IFRS*	1.1.2011	Yes	Not significant
IFRIC 14	Upfront-payments in conjunction with Minimum Funding Requirements	1.1.2011	Yes	Not significant
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1.1.2011	Yes	None

* Unless otherwise specified, the amendments are effective for annual periods beginning on or after 1 January 2011.

The revised version of IAS 24 (Related Party Disclosures) clarifies the definition of related parties. In addition, entities with relationships with government-related entities are exempted from making certain disclosures about transactions with related parties. As a result of the amendment to IAS 24, detailed disclosures are now only required for significant transactions. Quantitative or qualitative disclosures must be made to indicate the impact of transactions which may not be individually significant, but which are collectively significant. First-time application of the amendments to IAS 24 did not have any significant impact on disclosures made by the BMW Group with respect to relationships with related parties.

The revised version of IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) supplements IFRIC 14 (2007). This Interpretation contains rules relating to the accounting treatment of defined benefit pension plans in situations where plan assets exceed pension obligations. The change is relevant in cases where a fund is subject to minimum funding requirements and an entity makes upfront payments to fulfil those minimum funding requirements. The revised Interpretation allows entities in this situation to take account of the future economic benefits that arise from such upfront payments. The revision of IFRIC 14 does not have any significant impact on the BMW Group.

Six Standards and one Interpretation were amended in conjunction with the IFRS annual improvement project (eleven changes in all). These amendments relate, in part, to the clarification of existing rules through the improved wording of individual IFRSs. Some amendments also had the effect of changing rules relating to the recognition and measurement of items. The Standards affected are IAS 1, IAS 27 (in conjunction with IAS 21, 28 and 31), IAS 34, IFRS 1, IFRS 3, IFRS 7 and the Interpretation IFRIC 13. The changes did not have any significant impact on the Group Financial Statements of the BMW Group.

(b) New financial reporting pronouncements issued by the IASB during the financial year 2011, 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 financial year 2011:

Standard / Interpretation	Nature of change	Date of issue by IASB	Mandatory from	Endorsed by the EU	Expected impact on BMW Group
IFRS 1	Amendments with Respect to Fixed Transition Dates and Severe Inflation	20.12.2010	1.1.2012	No	None
IFRS 7	Disclosure Requirements in the event of the Transfer of Financial Assets	7.10.2010	1.1.2012	Yes	Not significant
IFRS 7	Notes Disclosures: Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2013	No	Not significant
IFRS 9	Financial Instruments	12.11.2009/ 28.10.2010	1.1.2015	No	Significant in principle: Classification and measurement of financial assets could change. Not significant: 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	1.1.2013	No	Significant in principle
IAS 12	Recovery of Underlying Assets	20.12.2010	1.1.2012	No	Not significant
IAS 19	Changes in Accounting for Employee Benefits, in particular for Termination Benefits and Pensions	16.6.2011	1.1.2013	No	Significant in principle
IAS 27	Separate Financial Statements	12.5.2011	1.1.2013	No	None
IAS 28	Investments in Associates and Joint Ventures	12.5.2011	1.1.2013	No	None
IAS 32	Offsetting of Financial Assets and Financial Liabilities	16.12.2011	1.1.2014	No	Not significant
IFRIC 20	Stripping Costs in the Production Phase of a Mine	19.10.2011	1.1.2013	No	None

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 and various 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 (Financial Instruments: Disclosures) 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 did not apply IFRS 9 early for the financial year 2011. 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 IAS 28 (Investments in Associates), all relating to the accounting treatment of different aspects of relationships between entities. 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 (Separate Financial Statements).

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, focussing on the rights and obligations that arise from the arrangements rather than on their legal form. 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 arrangement. 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 proportionate consolidation. The equity method is required to be applied in accordance with revised IAS 28 (Investments in Associates and Joint Ventures).

IFRS 12 (Disclosure of Interests in Other Entities) sets out the requirements for disclosures relating to all types on 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 proportionate consolidation is not expected to have a significant impact since the BMW Group accounts for joint ventures using the equity method. 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. The BMW Group is currently investigating the impact of IFRS 13. The BMW Group does not intend to adopt the Standard early.

The IASB published IAS 1 (Presentation of Financial Statements) in June 2011. The amendments to IAS 1 require that items reported in other comprehensive income (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 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, whether adopted or not yet adopted by the BMW Group, will have a significant impact on the Group Financial Statements.

10 Revenues

Revenues by activity comprise the following:

in € million	2011	2010
Sales of products and related goods	**52,331**	44,838
Income from lease instalments	**5,628**	5,181
Sale of products previously leased to customers	**6,226**	6,139
Interest income on loan financing	**2,774**	2,604
Other income	**1,862**	1,715
Revenues	**68,821**	**60,477**

An analysis of revenues by business segment and geographical region is shown in the segment information in note 49.

11 Cost of sales

Cost of sales comprises:

in € million	2011	2010*
Manufacturing costs	**33,594**	29,156
Research and development costs	**3,610**	3,082
Warranty expenditure	**918**	928
Cost of sales directly attributable to financial services	**11,723**	11,110
Interest expense relating to financial services business	**1,914**	2,112
Expense for risk provisions and write-downs for financial services business	**431**	893
Other cost of sales	**2,086**	2,264
Cost of sales	**54,276**	**49,545**

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Cost of sales include €14,068 million (2010: €14,115 million) relating to financial services business.

As in the previous year, manufacturing costs do not contain any impairment losses on intangible assets and property, plant and equipment. Cost of sales is reduced by public-sector subsidies in the form of reduced taxes on assets and reduced consumption-based taxes amounting to €47 million (2010: €36 million).

Total research and development expenditure, comprising research costs, development costs not recognised as assets on the one hand and capitalised development costs and the scheduled amortisation thereof on the other, was as follows:

in € million	2011	2010
Research and development costs	**3,610**	3,082
Amortisation	**–1,209**	–1,260
New expenditure for capitalised development costs	**972**	951
Total research and development expenditure	**3,373**	**2,773**

12 Sales and administrative costs

Sales costs amounted to €4,554 million (2010: €4,020 million) and comprise mainly marketing, advertising and sales personnel costs.

Administrative costs amounted to €1,623 million (2010: €1,509 million) and comprise expenses for administration not attributable to development, production or sales functions.

13 — Other operating income and expenses

in € million	2011	2010
Exchange gains	535	547
Income from the reversal of provisions	71	69
Income from the reversal of impairment losses and write-downs	14	38
Gains on the disposal of assets	14	15
Sundry operating income	148	97
Other operating income	**782**	**766**
Exchange losses	–537	–677
Expense for additions to provisions	–391	–186
Expenses for impairment losses and write-downs	–36	–40
Sundry operating expenses	–168	–155
Other operating expenses	**–1,132**	**–1,058**
Other operating income and expenses	**–350**	**–292**

Other operating income includes public-sector grants of €13 million (2010: €30 million).

14 — Result from equity accounted investments

The profit from equity accounted investments amounted to €162 million (2010: €98 million) and includes the results of the BMW Group's interests in the joint ventures BMW Brilliance Automotive Ltd., Shenyang, SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, SGL Automotive Carbon Fibers Verwaltungs GmbH, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE, and from the BMW Group's participation in Cirquent GmbH, Munich. The results of the joint ventures BMW Peugeot Citroën Electrification B.V., The Hague, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, are also included for the first time in the result from equity accounted investments.

15 — Net interest result

in € million	2011	2010
Expected return on plan assets relating to pension plans and pre-retirement part-time work arrangements	531	476
Other interest and similar income	232	209
— thereof from subsidiaries: € 13 million (2010: € 13 million)		
Interest and similar income	**763**	**685**
Expense from reversing the discounting of pension obligations	–594	–588
Expense from reversing the discounting of other long-term provisions	–110	–124
Write-downs on marketable securities	–4	–3
Other interest and similar expenses	–235	–251
— thereof to subsidiaries: €5 million (2010: €– million)		
Interest and similar expenses	**–943**	**–966**
Net interest result	**–180**	**–281**

The expected return on plan assets includes the expected income on assets used to secure obligations relating to pension plans and pre-retirement part-time work arrangements.

16 — Other financial result

in € million	2011	2010
Income from investments	1	5
thereof from subsidiaries: €1 million (2010: €5 million)		
Impairment losses on investments in subsidiaries	–8	–179
Income from reversal of impairment losses on investments in subsidiaries	–	3
Result on investments	**–7**	**–171**
Losses and gains relating to financial instruments	–610	96
Sundry other financial result	**–610**	**96**
Other financial result	**–617**	**–75**

The result on investments in the financial year 2011 relates mainly to an impairment loss recognised on the investment in a dealership.

The negative sundry other financial result was largely attributable to fair value losses on stand-alone commodity derivatives and stand-alone interest derivatives.

17 — Income taxes

Taxes on income comprise the following:

in € million	2011	2010*
Current tax expense	2,868	1,430
Deferred tax income / expense	–392	180
Income taxes	**2,476**	**1,610**

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Current tax expense includes €201 million (2010: €141 million) relating to prior periods.

Deferred tax income in the financial year 2011 includes an amount of €352 million (2010: income of €204 million) arising on new or reversed temporary differences.

Tax expense was reduced by €12 million (2010: €7 million) as a result of utilising tax losses/tax credits brought forward for which deferred assets had not previously been recognised.

The change in the valuation allowance on deferred tax assets relating to tax losses available for carryforward and temporary differences resulted in a tax expense of €6 million (2010: income of €18 million).

Deferred taxes are computed using enacted or planned **tax rates** which are expected to apply in the relevant national jurisdictions when the amounts are recovered.

A uniform corporation tax rate of 15.0 % plus solidarity surcharge of 5.5 % applies in Germany, giving a tax rate of 15.8 %. After taking account of an average municipal trade tax multiplier rate (Hebesatz) of 420.0 % (2010: 410.0 %), the municipal trade tax rate for German entities is 14.7 % (2010: 14.4 %). The overall income tax rate in Germany is therefore 30.5 % (2010: 30.2 %) Deferred taxes for non-German entities are calculated on the basis of the relevant country-specific tax rates and remained in a range of between 12.5 % and 46.9 %. Changes in tax rates resulted in a deferred tax expense of €36 million in 2011 (2010: €18 million).

The actual tax expense for the financial year 2011 of €2,476 million (2010: €1,610 million) is €224 million (2010: €144 million) higher than the expected tax expense of €2,252 million (2010: €1,466 million) which would theoretically arise if the tax rate of 30.5 % (2010: 30.2 %), applicable for German companies, was applied across the Group.

The difference between the expected and actual tax expense is explained in the following **reconciliation**:

in € million	2011	2010*
Profit before tax	**7,383**	4,853
Tax rate applicable in Germany	**30.5%**	30.2%
Expected tax expense	**2,252**	**1,466**
Variances due to different tax rates	**–70**	–50
Tax increases (+)/tax reductions (–) as a result of non-taxable income and non-deductible expenses	**59**	105
Tax expense (+)/benefits (–) for prior periods	**201**	141
Other variances	**34**	–52
Actual tax expense	**2,476**	**1,610**
Effective tax rate	**33.5%**	33.2%

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Tax increases as a result of non-deductible expenses relate mainly to the impact of non-recoverable withholding taxes on intra-group dividends. The change was primarily due to an impairment loss recognised in the previous year on investments.

The line item "Tax expense (+)/benefits (–) for prior years" includes the impact of tax field audits and intra-group transfer pricing arrangements. Bilateral appeal proceedings are instigated wherever possible to reduce the threat of double taxation.

The allocation of deferred tax assets and liabilities to **balance sheet line items** at 31 December is shown in the following table:

	Deferred tax assets		Deferred tax liabilities	
in € million	2011	2010	2011	2010*
Intangible assets	**2**	2	**1,341**	1,338
Property, plant and equipment	**44**	33	**273**	281
Leased products	**476**	415	**5,794**	5,118
Investments	**6**	6	**1**	3
Other current assets	**1,098**	2,672	**3,186**	4,007
Tax loss carryforwards	**1,452**	1,453	**–**	–
Provisions	**2,601**	1,950	**46**	46
Liabilities	**2,714**	3,113	**389**	1,613
Consolidations	**2,389**	1,870	**590**	566
	10,782	**11,514**	**11,620**	**12,972**
Valuation allowance	**–509**	–549	**–**	–
Netting	**–8,347**	–9,572	**–8,347**	–9,572
Deferred taxes	**1,926**	**1,393**	**3,273**	**3,400**
Net			**1,347**	2,007

* Adjusted for effect of change in accounting policy for leased products as described in note 8. Deferred tax liabilities on leased products were accordingly increased by €467 million to €5,118 million at 31 December 2010 and by €459 million to €4,740 million at 1 January 2010.

Deferred tax assets on tax loss carryforwards and capital losses before allowances totalled €1,452 million (2010: €1,453 million). After valuation allowances of €509 million (2010: €549 million) their carrying amount totalled €943 million (2010: €904 million).

Tax **losses available for carryforward** – for the most part usable without restriction – were unchanged at €2.6 billion. This includes an amount of €58 million (2010: €102 million), for which a valuation allowance of €17 million (2010: €33 million) was recognised on the related deferred tax asset. For entities with tax losses available for carryforward, a net surplus of deferred tax assets over deferred tax liabilities is reported at 31 December 2011 amounting to €568 million (2010: €587 million). Deferred tax assets are recognised on the basis of management's assessment of whether it is probable that the relevant entities will generate sufficient future taxable profits, against which deductible temporary differences can be offset.

Capital losses available for carryforward in the United Kingdom which do not relate to ongoing operations increased during the financial year 2011 to €2.0 billion (2010: €1.9 billion) due to exchange rate factors. As in previous years, deferred tax assets recognised on these tax losses – amounting to €492 million at the end of the reporting period (2010: €516 million) – were fully written down since they can only be utilised against future capital gains.

"Netting" relates to the offset of deferred tax assets and liabilities within individual separate entities or tax groups to the extent that they relate to the same tax authorities.

Deferred taxes recognised directly in **equity** amounted to €1,202 million (2010: €756 million), an increase of €446 million (2010: €263 million). The change in 2011 includes the effect of translation differences amounting to €17 million (2010: reduction of €6 million).

Changes in deferred tax assets and liabilities during the reporting period can be summarised as follows:

in € million	**2011**	2010[1]
Deferred taxes at 1 January	**2,007**	1,962
Deferred tax income/expense recognised through income statement	**–392**	180
Change in deferred taxes recognised directly in equity	**–429**	–269
Change in deferred taxes due to purchase of the ICL Group	**87**	–
Exchange rate impact and other changes[2]	**74**	134
Deferred taxes at 31 December	**1,347**	**2,007**

[1] Adjusted for effect of change in accounting policy for leased products as described in note 8
[2] Including impact of first-time consolidations

Changes in deferred taxes include changes relating to items recognised either through the income statement or directly in equity as well as the impact of exchange rate and first-time consolidations. Net deferred liabilities decreased by €429 million (2010: €269 million) as a result of items recognised directly in equity, including €274 million (2010: €210 million) due to the fair value measurement of derivative financial instruments and marketable securities, shown in the summary above in the line items "Other current assets" and "Liabilities". Changes in actuarial gains and losses arising on defined pension obligations, similar obligations and plan assets and recognised directly in equity accounted for a further €155 million (2010: €59 million) of the decrease in net deferred liabilities. These amounts are shown in the summary above in the line item "Provisions".

Deferred taxes are not recognised on retained profits of €20.7 billion (2010: €16.2 billion) of foreign subsidiaries, as it is intended to invest these profits to maintain and expand the business volume of the relevant companies. A computation was not made of the potential impact of income taxes on the grounds of disproportionate expense.

The tax returns of BMW Group entities are checked regularly by German and foreign tax authorities. Taking account of a variety of factors – including existing interpretations, commentaries and legal decisions taken relating to the various tax jurisdictions and the BMW Group's past experience – adequate provision has, as far as identifiable, been made for potential future tax obligations.

18 — Earnings per share

		2011	2010*
Net profit for the year after minority interest	€ million	**4,880.9**	3,227.2
Profit attributable to common stock	€ million	**4,483.9**	2,966.6
Profit attributable to preferred stock	€ million	**397.0**	260.6
Average number of common stock shares in circulation	number	**601,995,196**	601,995,196
Average number of preferred stock shares in circulation	number	**53,163,232**	52,663,822
Earnings per share of common stock	€	**7.45**	4.93
Earnings per share of preferred stock	€	**7.47**	4.95
Dividend per share of common stock	€	**2.30**	1.30
Dividend per share of preferred stock	€	**2.32**	1.32

* Adjusted for effect of change in accounting policy for leased products as described in note 8

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.

19 — Other disclosures relating to the income statement

The income statement includes personnel costs as follows:

in € million	2011	2010
Wages and salaries	**6,399**	6,109
Social security, retirement and welfare costs	**1,340**	1,285
— thereof pension costs: €789 million (2010: €740 million)		
Personnel costs	**7,739**	**7,394**

Personnel costs include €70 million (2010: €116 million) of expenditure incurred to adjust the workforce size. The average number of employees during the year was:

	2011	2010
Employees	**91,168**	88,933
Apprentices and students gaining work experience	**5,942**	5,513
	97,110	**94,446**

The number of employees at the end of the reporting period is disclosed in the Combined Group and Company Management Report.

The fee expense pursuant to § 314 (1) no. 9 HGB recognised in the financial year 2011 for the Group auditors amounted to €22 million (2010: €19 million) and consists of the following:

in € million	2011	2010
Audit of financial statements	**13**	11
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	3	3
Other attestation services	**2**	1
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	1	–
Tax advisory services	**5**	5
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	3	3
Other services	**2**	2
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	1	1
Fee expense	**22**	**19**
thereof KPMG AG Wirtschaftsprüfungsgesellschaft	8	7

The total fee comprises expenses recorded by BMW AG, Munich, and all consolidated subsidiaries. The fee expense shown for KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, relates only to services provided on behalf of BMW AG, Munich, and its German subsidiaries.

20 — Share-based remuneration

Two share-based remuneration programmes are in place within the BMW Group, the employee share programme for qualifying employees of the BMW Group and share-based commitments to members of the Board of Management.

In the case of the employee share scheme, non-voting shares of preferred stock in BMW AG were granted to qualifying employees during the financial year 2011 at favourable conditions (see note 34 for the number and price of issued shares). The holding period for these shares is up to 31 December 2014. The BMW Group recorded a personnel expense of €5 million (2010: €5 million) for the employee share programme in 2011, corresponding to the difference between the market price and the reduced price of the shares purchased by employees. The Board of Management reserves the right to decide anew each year with respect to an employee share scheme.

For financial years beginning after 1 January 2011, BMW AG has added a share-based remuneration component to the existing compensation system for Board of Management members.

Each Board of Management member is required to invest 20 % of his total bonus (after tax) in shares of BMW AG common stock, which are recorded in a separate custodian account for each member concerned (annual tranche). Each annual tranche is subject to a holding period of four years. Once the holding period is fulfilled, BMW AG grants one additional share of BMW AG common stock for each three held or, at its discretion, pays the equivalent amount in cash (share-based remuneration component) provided that the term of office has not been terminated before the end of the agreed contract period (except in the case of death or invalidity).

The share-based remuneration component is measured at its fair value at each balance sheet date between grant and settlement date, and on the settlement date itself, and recognised as personnel expense on a straight-line basis over the term of office of the Board of Management member (vesting period) and recognised as a provision.

For these purposes, the cash-settlement obligation for the share-based remuneration component is measured at its fair value at the balance sheet date (based on the closing price of BMW AG common stock in Xetra trading at 30 December 2011).

The total carrying amount of the provision for the share-based remuneration component at 31 December 2011 was €115,113.63.

The total expense recognised in 2011 for the share-based remuneration component for Board of Management members was also €115,113.63.

The fair value of the share-based remuneration component at grant date was €668,854.04, based on a total of 11,945 shares of BMW AG common stock or cash settlement equivalent deemed to have been granted and measured at the relevant share price at the date on which the contract for the share-based remuneration programme was signed.

Further details on the remuneration of the Board of Management are provided in the 2011 Compensation Report.

21 — Disclosures relating to the statement of total comprehensive income

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

in € million	**2011***	2010*
Available-for-sale securities		
Gains / losses in the period	**–64**	–19
Amounts reclassified to income statement	**–8**	3
	–72	–16
Financial instruments used for hedging purposes		
Gains / losses in the period	**–733**	–800
Amounts reclassified to income statement	**–68**	274
	–801	–526
Exchange differences on translating foreign operations	**168**	666
Actuarial losses on defined benefit pension obligations, similar obligations and plan assets	**–586**	–277
Deferred taxes relating to components of other comprehensive income	**421**	265
Other comprehensive income for the period after tax from equity accounted investments	**–41**	21
Other comprehensive income for the period after tax	**–911**	**133**

* The line item “Other comprehensive income for the period from equity accounted investments” is presented separately for the first time in the Group Financial Statements for the year ended 31 December 2011.

Deferred taxes on components of other comprehensive income are as follows:

in € million	**2011***			2010*		
	Before tax	Deferred taxes	After tax	Before tax	Deferred taxes	After tax
Available-for-sale securities	**–72**	**2**	**–70**	–16	5	–11
Financial instruments used for hedging purposes	**–801**	**252**	**–549**	–526	186	–340
Exchange differences on translating foreign operations	**168**	**–**	**168**	666	–	666
Actuarial losses relating to defined benefit pension and similar plans	**–586**	**167**	**–419**	–277	74	–203
Other comprehensive income from equity accounted investments	**–66**	**25**	**–41**	23	–2	21
Other comprehensive income	**–1,357**	**446**	**–911**	**–130**	**263**	**133**

* The line item “Other comprehensive income for the period from equity accounted investments” is presented separately for the first time in the Group Financial Statements for the year ended 31 December 2011.

22 — Analysis of changes in Group tangible, intangible and investment assets 2011

in € million	Acquisition and manufacturing cost 1.1.2011[1]	Acquisition ICL Group	Translation differences	Additions	Reclassifications	Disposals	31.12. 2011
Development costs	9,147	–	–	972	–	1,727	**8,392**
Goodwill	116	258	–	–	–	–	**374**
Other intangible assets	796	153	5	122	41	78	**1,039**
Intangible assets	**10,059**	**411**	**5**	**1,094**	**41**	**1,805**	**9,805**
Land, titles to land, buildings, including buildings on third party land	7,571	19	47	90	48	17	**7,758**
Plant and machinery	24,166	–	79	1,483	464	567	**25,625**
Other facilities, factory and office equipment	2,143	16	9	163	12	183	**2,160**
Advance payments made and construction in progress	700	–	3	862	–565	8	**992**
Property, plant and equipment	**34,580**	**35**	**138**	**2,598**	**–41**	**775**	**36,535**
Leased products[3]	**26,449**	**5,072**	**343**	**11,252**	**–**	**11,160**	**31,956**
Investments accounted for using the equity method	**212**	**–**	**–**	**113**	**–**	**23**	**302**
Investments in non-consolidated subsidiaries	251	–	2	54	–	85	**222**
Participations	12	–	–	489	–	–	**501**
Non-current marketable securities	–	–	–	–	–	–	**–**
Other investments	**263**	**–**	**2**	**543**	**–**	**85**	**723**

[1] Including the net cost of property, plant and equipment of entities consolidated for the first time (excluding the ICL Group)
[2] Including assets under construction of €718 million
[3] Adjusted for effect of change in accounting policy for leased products as described in note 8

Analysis of changes in Group tangible, intangible and investment assets 2010

in € million	Acquisition and manufacturing cost 1.1.2010	Translation differences	Additions	Reclassifications	Disposals	31.12.2010
Development costs	8,695	–	951	–	499	**9,147**
Goodwill	116	–	–	–	–	**116**
Other intangible assets	743	12	77	–	38	**794**
Intangible assets	**9,554**	**12**	**1,028**	**–**	**537**	**10,057**
Land, titles to land, buildings, including buildings on third party land	7,353	118	94	52	46	**7,571**
Plant and machinery	22,715	221	1,422	430	622	**24,166**
Other facilities, factory and office equipment	2,056	54	109	14	91	**2,142**
Advance payments made and construction in progress	567	21	610	–496	2	**700**
Property, plant and equipment	**32,691**[1]	**414**	**2,235**	**–**	**761**	**34,579**
Leased products[3]	**27,069**	**982**	**10,352**	**–**	**11,954**	**26,449**
Investments accounted for using the equity method	**137**	**–**	**103**	**–**	**28**	**212**
Investments in non-consolidated subsidiaries	307	2	120	–	178	**251**
Participations	8	–	4	–	–	**12**
Non-current marketable securities	4	–	–	–	4	**–**
Other investments	**319**	**2**	**124**	**–**	**182**	**263**

[1] Including net acquisition and manufacturing cost of property, plant and equipment in conjunction with the first-time consolidation of the Husqvarna Group totalling €14 million
[2] Including assets under construction of €418 million
[3] Adjusted for effect of change in accounting policy for leased products as described in note 8

Depreciation and amortisation: 1.1.2011	Acquisition ICL Group	Translation differences	Current year	Reclassifications	Changes not effecting net income	Disposals	Reversal of impairment losses	31.12.2011	Carrying amount: 31.12.2011	31.12.2010	
4,522	–	–	1,209	–	–	1,727	–	**4,004**	**4,388**	4,625	Development costs
5	–	–	–	–	–	–	–	**5**	**369**	111	Goodwill
501	10	4	113	8	–	78	–	**558**	**481**	295	Other intangible assets
5,028	**10**	**4**	**1,322**	**8**	**–**	**1,805**	**–**	**4,567**	**5,238**	**5,031**	**Intangible assets**
3,186	4	20	224	1	–	12	–	**3,423**	**4,335**	4,385	Land, titles to land, buildings, including buildings on third party land
18,235	–	62	1,961	4	–	533	–	**19,729**	**5,896**	5,931	Plant and machinery
1,731	8	9	139	–13	–	177	–	**1,697**	**463**	412	Other facilities, factory and office equipment
1	–	–	–	–	–	–	–	**1**	**991**[2]	699	Advance payments made and construction in progress
23,153	**12**	**91**	**2,324**	**–8**	**–**	**722**	**–**	**24,850**	**11,685**	**11,427**	**Property, plant and equipment**
7,361	**1,687**	**83**	**3,770**	**–**	**–**	**4,056**	**1**	**8,844**	**23,112**	**19,088**	**Leased products**[3]
–	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**302**	**212**	**Investments accounted for using the equity method**
82	–	–	8	–	–	–	–	**90**	**132**	169	Investments in non-consolidated subsidiaries
4	–	–	–	–	68	–	–	**72**	**429**	8	Participations
–	–	–	–	–	–	–	–	**–**	**–**	–	Non-current marketable securities
86	**–**	**–**	**8**	**–**	**68**	**–**	**–**	**162**	**561**	**177**	**Other investments**

Depreciation and amortisation: 1.1.2010	Translation differences	Current year	Disposals	Reversal of impairment losses	31.12.2010	Carrying amount: 31.12.2010	31.12.2009	
3,761	–	1,260	499	–	**4,522**	**4,625**	4,934	Development costs
5	–	–	–	–	**5**	**111**	111	Goodwill
409	7	119	36	–	**499**	**295**	334	Other intangible assets
4,175	**7**	**1,379**	**535**	**–**	**5,026**	**5,031**	**5,379**	**Intangible assets**
2,936	47	226	23	–	**3,186**	**4,385**	4,404	Land, titles to land, buildings, including buildings on third party land
16,732	165	1,933	595	–	**18,235**	**5,931**	5,983	Plant and machinery
1,623	43	144	80	–	**1,730**	**412**	433	Other facilities, factory and office equipment
1	–	–	–	–	**1**	**699**[2]	565	Advance payments made and construction in progress
21,292	**255**	**2,303**	**698**	**–**	**23,152**	**11,427**	**11,385**	**Property, plant and equipment**
7,816	**259**	**3,818**	**4,532**	**–**	**7,361**	**19,088**	**19,253**	**Leased products**[3]
–	**–**	**–**	**–**	**–**	**–**	**212**	**137**	**Investments accounted for using the equity method**
82	1	179	177	3	**82**	**169**	225	Investments in non-consolidated subsidiaries
5	–1	–	–	–	**4**	**8**	3	Participations
–	–	–	–	–	**–**	**–**	4	Non-current marketable securities
87	**–**	**179**	**177**	**3**	**86**	**177**	**232**	**Other investments**

23 — 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. Amortisation on intangible assets is presented in cost of sales, sales costs and administrative costs.

In addition, intangible assets include a brand-name right amounting to €43 million (2010: €41 million), goodwill of €33 million (2010: €33 million) allocated to the Automobile cash-generating unit (CGU) and goodwill of €336 million (2010: €78 million) allocated to the Financial Services CGU. Entities acquired as at 30 September 2011 increased goodwill of the Financial Services CGU by €258 million. Further details are provided in note 3.

As in the previous year, there was no requirement to recognise impairment losses or reversals of impairment losses on intangible assets in 2011.

No borrowing costs were recognised as a cost component of intangible assets during the year under report.

An analysis of changes in intangible assets is provided in note 22.

24 — Property, plant and equipment

No borrowing costs were recognised as a cost component of property, plant and equipment during the year under report.

As in the previous year, there was no requirement to recognise impairment losses or reversals of impairment losses on property, plant and equipment in 2011.

A break-down of the different classes of property, plant and equipment disclosed in the balance sheet and changes during the year are shown in the analysis of changes in Group tangible, intangible and investment assets in note 22.

Property, plant and equipment include a total of €45 million (2010: €55 million) relating to operational buildings used by BMW AG and BMW of North America LLC as well as leased plant, machinery and other facilities, factory and office equipment used primarily at the Hams Hall production plant. Due to the nature of the lease arrangements (finance leases), economic ownership of these assets is attributable to the BMW Group. The leases for buildings used by BMW AG, with a carrying amount of €41 million (2010: €46 million) run for periods up to 2028 at the latest. Some of the leases contain extension and purchase options. A finance lease contract accounted for at the level of BMW of North America LLC relating to an operational building has a carrying amount of €1 million at 31 December 2011 (2010: €2 million) and a remaining term of four years. The lease for plant and machinery and other equipment at the Hams Hall plant, with a carrying amount of €1 million (2010: €3 million) at 31 December, runs until 2018. Neither a lease extension option nor a purchase option has been agreed.

Minimum lease payments of the relevant leases are as follows:

in € million	**31.12.2011**	31.12.2010
Total of future minimum lease payments		
due within one year	**25**	89
due between one and five years	**171**	116
due later than five years	**49**	95
	245	**300**
Interest portion of the future minimum lease payments		
due within one year	**8**	5
due between one and five years	**47**	25
due later than five years	**17**	28
	72	**58**
Present value of future minimum lease payments		
due within one year	**17**	84
due between one and five years	**124**	91
due later than five years	**32**	67
	173	**242**

25 Leased products

The BMW Group, as lessor, leases out its own products and those of other manufacturers as part of its financial services business. Minimum lease payments of €11,658 million (2010: €8,070 million) from non-cancellable operating leases fall due as follows:

in € million	31.12.2011	31.12.2010
within one year	5,749	4,303
between one and five years	5,900	3,766
later than five years	9	1
Leased products	**11,658**	**8,070**

Contingent rents of €174 million (2010: €47 million), based principally on the distance driven, were recognised in income. The agreements have, in part, extension and purchase options as well as price escalation clauses.

An analysis of changes in leased products is provided in note 22.

26 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 in Cirquent GmbH, Munich. The aggregated interests of the Group are as follows:

in € million	31.12.2011	31.12.2010
Disclosures relating to the income statement		
Revenues	2,142	1,240
Expenses	–1,980	–1,142
Profit	**162**	**98**
Disclosures relating to the balance sheet		
Non-current assets	636	318
Current assets	906	572
Equity	392	271
Non-current liabilities	126	36
Current liabilities	1,024	583
Balance sheet total	**1,542**	**890**

Other investments relate primarily to investments in non-consolidated subsidiaries, investments in other companies and non-current marketable securities.

Additions to investments in non-consolidated subsidiaries relate primarily to a capital increase at the level of BMW India Financial Services Pvt. Ltd., New Delhi, a capital increase at the level of Automag GmbH, Munich, as well as the foundation of BMW China Services Ltd., Beijing, and BMW i Ventures LLC, Wilmington, DE.

The impairment loss of €8 million on investments in non-consolidated subsidiaries related to an investment in a dealership which was written down after being tested for impairment.

Disposals of investments in non-consolidated subsidiaries are the result of the first-time consolidation of BMW Bank OOO, Moscow, and BMW Automotive Finance (China) Co., Ltd., Beijing.

Additions relate primarily to the purchase of shares in SGL Carbon SE, Wiesbaden.

A break-down of the different classes of other investments disclosed in the balance sheet and changes during the year are shown in the analysis of changes in Group tangible, intangible and investment assets in note 22.

27 Receivables from sales financing

Receivables from sales financing, totalling €49,345 million (2010: €45,365 million), comprise €38,295 million (2010: €35,460 million) for credit financing for retail customers and dealers and €11,050 million (2010: €9,905 million) for finance leases. Finance leases are analysed as follows:

in € million	31.12.2011	31.12.2010
Gross investment in finance leases		
due within one year	**4,217**	3,922
due between one and five years	**7,933**	7,185
due later than five years	**102**	56
	12,252	**11,163**
Present value of future minimum lease payments		
due within one year	**3,725**	3,409
due between one and five years	**7,233**	6,446
due later than five years	**92**	50
	11,050	**9,905**
Unrealised interest income	**1,202**	**1,258**

Contingent rents recognised as income (generally relating to the distance driven) amounted to €2 million (2010: €3 million). Write-downs on finance leases amounting to €77 million (2010: €68 million) were measured and recognised on the basis of specific credit risks. As in the previous year, there are no unguaranteed residual values that fall to the benefit of the lessor.

Receivables from sales financing include €29,331 million (2010: €27,126 million) with a remaining term of more than one year.

Allowance for impairment and credit risk

in € million	31.12.2011	31.12.2010
Gross carrying amount	**50,961**	46,961
Allowance for impairment	**–1,616**	–1,596
Net carrying amount	**49,345**	**45,365**

Allowances for impairment on receivables from sales financing developed as following during the year under report:

2011 in € million	Allowance for impairment recognised on a specific item basis	Allowance for impairment recognised on a group basis	Total
Balance at 1 January*	1,455	208	**1,663**
Allocated / reversed	233	67	**300**
Utilised	–315	–14	**–329**
Exchange rate impact and other changes	–19	1	**–18**
Balance at 31 December	**1,354**	**262**	**1,616**

* including entities consolidated for the first time during the financial year

2010 in € million	Allowance for impairment recognised on a specific item basis	group basis	Total
Balance at 1 January	1,195	161	**1,356**
Allocated/reversed	489	45	**534**
Utilised	–365	–15	**–380**
Exchange rate impact and other changes	74	12	**86**
Balance at 31 December	**1,393**	**203**	**1,596**

At the end of the reporting period, impairment allowances of €262 million (2010: €203 million) were recognised on a group basis on gross receivables from sales financing totalling €28,991 million (2010: €24,477 million). Impairment allowances of €1,354 million (2010: €1,393 million) were recognised at 31 December 2011 on a specific item basis on gross receivables from sales financing totalling €10,981 million (2010: €10,722 million).

Receivables from sales financing which were not overdue at the end of the reporting period amounted to €10,989 million (2010: €11,762 million). No impairment losses were recognised for these balances.

The estimated fair value of collateral received for receivables on which impairment losses were recognised totalled €19,916 million (2010: €19,282 million) at the end of the reporting period. This collateral related primarily to vehicles. The carrying amount of assets held as collateral and taken back as a result of payment default amounted to €41 million (2010: €35 million).

28 Financial assets

Financial assets comprise:

in € million	31.12.2011	31.12.2010
Derivative instruments	**2,358**	2,781
Marketable securities and investment funds	**2,330**	1,566
Loans to third parties	**23**	58
Credit card receivables	**249**	262
Other	**493**	462
Financial assets	**5,453**	**5,129**
thereof non-current	**1,702**	1,867
thereof current	**3,751**	3,262

The decrease in derivative instruments was primarily attributable to negative market price developments of commodity derivatives.

The rise in marketable securities and investment funds reflects primarily an increase in the BMW Group's strategic liquidity reserve.

Investment funds are held to secure obligations relating to pre-retirement part-time work arrangements. These funds are managed by BMW Trust e.V., Munich, as part of a Contractual Trust Arrangement (CTA) and are therefore netted against the corresponding settlement arrears for pre-retirement part-time work arrangements. The amount by which the value of the investment funds exceeds these obligations (€30 million; 2010: €50 million) is reported under other financial assets.

Marketable securities and investment funds relate to available-for-sale financial assets and comprise:

in € million	31.12.2011	31.12.2010
Stocks	1	1
Fixed income securities	2,329	1,565
Marketable securities and investment funds	**2,330**	**1,566**

The contracted maturities of debt securities are as follows:

in € million	31.12.2011	31.12.2010
Fixed income securities		
due within three months	241	282
due later than three months	2,088	1,283
Debt securities	**2,329**	**1,565**

Allowance for impairment and credit risk

Receivables relating to credit card business comprise the following:

in € million	31.12.2011	31.12.2010
Gross carrying amount	267	277
Allowance for impairment	–18	–15
Net carrying amount	**249**	**262**

Allowances for impairment losses on receivables relating to credit card business developed as follows during the year under report:

2011 in € million	Allowance for impairment recognised on a specific item basis	group basis	Total
Balance at 1 January	15	–	15
Allocated/reversed	20	–	20
Utilised	–18	–	–18
Exchange rate impact and other changes	1	–	1
Balance at 31 December	**18**	**–**	**18**

2010 in € million	Allowance for impairment recognised on a specific item basis	group basis	Total
Balance at 1 January	17	–	17
Allocated/reversed	27	–	27
Utilised	–30	–	–30
Exchange rate impact and other changes	1	–	1
Balance at 31 December	**15**	**–**	**15**

29 — Income tax assets

Income tax assets totalling €1,194 million (2010: €1,166 million) include claims amounting to €872 million (2010: €864 million) which are expected to be settled after more than 12 months. Some of the claims may be settled earlier than this depending on the timing of proceedings.

30 — Other assets

Other assets comprise:

in € million	31.12.2011	31.12.2010
Other taxes	**740**	564
Receivables from subsidiaries	**714**	688
Receivables from other companies in which an investment is held	**393**	258
Prepayments	**945**	847
Collateral receivables	**292**	474
Sundry other assets	**829**	818
Other assets	**3,913**	**3,649**
thereof non-current	**568**	692
thereof current	**3,345**	2,957

Receivables from subsidiaries include trade receivables of €129 million (2010: €89 million) and financial receivables of €585 million (2010: €599 million). They include €116 million (2010: €259 million) with a remaining term of more than one year.

Receivables from other companies in which an investment is held include €380 million (2010: €251 million) due within one year.

Prepayments of €945 million (2010: €847 million) relate mainly to prepaid interest, development costs not eligible for capitalisation as non-current assets, insurance premiums and rent. Prepayments of €609 million (2010: €542 million) have a maturity of less than one year.

Collateral receivables comprise mainly customary collateral (banking deposits) arising on the sale of receivables.

31 — Inventories

Inventories comprise the following:

in € million	31.12.2011	31.12.2010
Raw materials and supplies	**704**	663
Work in progress, unbilled contracts	**908**	683
Finished goods and goods for resale	**8,026**	6,420
Inventories	**9,638**	**7,766**

At 31 December 2011, inventories measured at their net realisable value amounted to €616 million (2010: €416 million) and are included in total inventories of €9,638 million (2010: €7,766 million). Write-downs to net realisable value amounting to €28 million (2010: €18 million) were recognised in 2011.

32 — Trade receivables

Trade receivables amounting in total to €3,286 million (2010: €2,329 million) include €37 million due later than one year (2010: €41 million).

Allowance for impairment and credit risk

in € million	31.12.2011	31.12.2010
Gross carrying amount	**3,387**	2,424
Allowance for impairment	**–101**	–95
Net carrying amount	**3,286**	**2,329**

Allowances on trade receivables developed as following during the year under report:

2011 in € million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January	83	12	**95**
Allocated/reversed	18	2	**20**
Utilised	–8	–5	**–13**
Exchange rate impact and other changes	1	–2	**–1**
Balance at 31 December	**94**	**7**	**101**

2010 in € million	Allowance for impairment recognised on a specific item basis	group basis	**Total**
Balance at 1 January*	76	9	**85**
Allocated/reversed	17	3	**20**
Utilised	–12	–1	**–13**
Exchange rate impact and other changes	2	1	**3**
Balance at 31 December	**83**	**12**	**95**

* including entities consolidated for the first time during the financial year

Some trade receivables were overdue for which an impairment loss was not recognised. Overdue balances are analysed into the following time windows:

in € million	31.12.2011	31.12.2010
1–30 days overdue	**140**	148
31–60 days overdue	**40**	41
61–90 days overdue	**22**	15
91–120 days overdue	**15**	11
More than 120 days overdue	**25**	39
	242	**254**

Receivables that are overdue by between 1 and 30 days do not normally result in bad debt losses since the overdue nature of the receivables is primarily attributable to the timing of receipts around the month-end.

In the case of trade receivables, collateral is generally held in the form of vehicle documents and bank guarantees so that the risk of bad debt loss is extremely low.

33 — Cash and cash equivalents

Cash and cash equivalents of €7,776 million (2010: €7,432 million) comprise cash on hand and at bank, all with an original term of up to three months.

34 — Equity

Number of shares issued

	Preferred stock		Common stock	
	2011	2010	**2011**	2010
Shares issued / in circulation at 1 January	**53,163,412**	52,665,362	**601,995,196**	601,995,196
Shares issued in conjunction with employee share scheme	**408,140**	499,590	**–**	–
less: shares repurchased and re-issued	**180**	1,540	**–**	–
Shares issued/in circulation at 31 December	**53,571,372**	53,163,412	**601,955,196**	601,995,196

At 31 December 2011 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 (2010: 53,163,412 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.

In 2011, a total of 408,140 shares of preferred stock was sold to employees at a reduced price of €26.58 per share in conjunction with an employee share scheme. These shares are entitled to receive dividends with effect from the financial year 2012. 180 shares of preferred stock were bought back via the stock exchange in order to service the Company's employee share scheme.

Further information on share-based remuneration is provided in note 20.

Issued share capital increased by €0.4 million as a result of the issue to employees of 407,960 shares of non-voting preferred stock. The Authorised Capital of BMW AG amounted to €3.6 million at the end of the reporting period. The Company is authorised to issue shares of non-voting preferred stock amounting to nominal €5.0 million prior to 13 May 2014. The share premium of €15.5 million arising on the share capital increase in 2011 was transferred to capital reserves.

Capital reserves

Capital reserves include premiums arising from the issue of shares and totalled €1,955 million (2010: €1,939 million). The change related to the share capital increase in conjunction with the issue of shares of preferred stock to employees.

Revenue reserves

Revenue reserves comprise the post-acquisition and non-distributed earnings of consolidated companies. In addition, actuarial gains and losses relating to defined benefit pension obligations, similar obligations and plan assets (as well as deferred taxes recognised directly in equity on these items) are also reported here, along with positive and negative goodwill arising on the consolidation of Group companies prior to 31 December 1994. Revenue reserves decreased by €1,582 million as a result of the reclassification adjustment recorded in accordance with IAS 1.96 as at 1 January 2010 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.

Revenue reserves increased during the year to €26,102 million. They were increased by the amount of the net profit attributable to shareholders of BMW AG for the financial year 2011 amounting to €4,881 million (2010: €3,227 million) and reduced by the payment of the dividend for 2010 amounting to €852 million (for 2009: €197 million). Actuarial losses relating to defined benefit pension obligations, similar obligations and plan assets (and related deferred taxes) reduced revenue reserves in 2011 by €419 million (2010: €203 million).

The unappropriated profit of BMW AG at 31 December 2011 amounts to €1,508 million and will be proposed to the Annual General Meeting for distribution. This amount includes €123 million relating to preferred stock. The amount proposed for distribution represents an amount of €2.32 per share of preferred stock and €2.30 per share of common stock. The proposed distribution must be authorised by the shareholders at the Annual General Meeting of BMW AG. It is therefore not recognised as a liability in the Group Financial Statements.

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 (2010: €26 million). This includes a minority interest of €26 million (2010: €16 million) in the results for the year.

Capital management disclosures

The BMW Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in the long-term and to provide an adequate return to shareholders.

The BMW Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of the underlying assets.

In order to manage its capital structure, the BMW Group uses various instruments including the amount of dividends paid to shareholders and share buybacks.

The BMW Group manages the structure of debt capital on the basis of a target debt ratio. An important aspect of the selection of financial instruments is the objective to achieve matching maturities for the Group's financing requirements. In order to reduce non-systematic risk, the BMW Group uses a variety of financial instruments available on the world's capital markets to achieve optimal diversification.

The capital structure at the end of the reporting period was as follows:

in € million	31.12.2011	31.12.2010*
Equity attributable to shareholders of BMW AG	**27,038**	23,904
Proportion of total capital	**28.5%**	27.7%
Non-current financial liabilities	**37,597**	35,833
Current financial liabilities	**30,380**	26,520
Total financial liabilities	**67,977**	62,353
Proportion of total capital	**71.5%**	72.3%
Total capital	**95,015**	**86,257**

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Equity attributable to shareholders of BMW AG increased during the financial year by 0.8 percentage points, mainly reflecting the increase in revenue reserves compared to the previous year.

BMW AG's long-term and short-term ratings were raised by one level in July 2011 by the rating agency Moody's from A3/P-2 to A2/P-1 with a stable outlook. In September 2011 the rating agency Standard & Poor's confirmed BMW AG's rating of A–/A-2 and raised the outlook from stable to positive. This means that BMW AG currently enjoys the best ratings of all European car manufacturers.

The improved rating and outlook reflect the worldwide rise in demand for premium cars, the successful implementation of measures in conjunction with Strategy Number ONE and the stable financial position of the BMW Group.

	Moody's	Standard & Poor's
Non-current financial liabilities	A2	A–
Current financial liabilities	P-1	A-2
Outlook	stable	positive

With their current long-term ratings of A- (S & P) and A2 (Moody's), the agencies continue to confirm BMW AG's robust creditworthiness for debt with a term of more than one year. BMW AG's creditworthiness for short-term debt is also classified by the rating agencies as good, thus enabling it to obtain refinancing funds on competitive conditions.

35 **Pension provisions**

Pension provisions are recognised as a result of commitments to pay future vested pension benefits and current pensions to present and former employees of the BMW Group and their dependants. Depending on the legal, economic and tax circumstances prevailing in each country, various pension plans are used, based generally on the length of service, final salary and remuneration structure of the employees involved. Due to similarity of nature, the obligations of BMW Group companies in the USA and of BMW (South Africa) (Pty) Ltd., Pretoria, for post-employment medical care are also disclosed as pension provisions. The provision for these pension-like obligations amounts to €120 million (2010: €93 million) and is measured, similar to pension obligations, in accordance with IAS 19. In the case of post-employment medical care, it is assumed that the costs will increase on a long-term basis by 6 % p.a. (unchanged from the previous year). The expense for medical care costs in the financial year 2011 was €9 million (2010: €10 million). The provisions for the medical care of employees in the USA compare with reimbursement claims of €11 million (2010: €8 million) recognised in accordance with IAS 19.104A.

Post-employment benefit plans are classified as either defined contribution or defined benefit plans. Under defined contribution plans, an enterprise pays fixed contributions into a separate entity or fund and does not assume any other obligations. The total pension expense for defined contribution plans of the BMW Group amounted to €40 million (2010: €30 million). Employer contributions paid to state pension insurance schemes totalled €400 million (2010: €406 million).

Under defined benefit plans, the enterprise is required to pay the benefits granted to present and past employees. Defined benefit plans may be funded or unfunded, the latter sometimes covered by accounting provisions. Pension commitments in Germany are fully covered by assets contributed to a separate fund in conjunction with a Contractual Trust Arrangement (CTA). Obligations not covered by assets held by the fund are covered by pension provisions. The main other countries with funded plans were the UK, the USA, Switzerland, the Netherlands, Belgium, South Africa and Japan.

Pension obligations are computed on an actuarial basis at the level of the defined benefit obligation. The actuarial computation requires the use of estimates, based on assumptions relating to life expectancy and the parameters stated below that depend on the economic situation in each particular country. The following weighted average values have been used for Germany, the United Kingdom and other countries:

31 December	Germany		United Kingdom		Other	
in %	**2011**	2010	**2011**	2010	**2011**	2010
Discount rate	**4.75**	4.75	**4.75**	5.30	**4.57**	5.32
Salary level trend	**3.35**	3.25	**3.65**	4.10	**3.43**	3.89
Pension level trend	**2.35**	2.25	**3.09**	3.60	**1.59**	2.12

The salary level trend refers to the expected rate of salary increase which is estimated annually depending on inflation and career development of employees within the Group.

In the case of externally funded plans, the defined benefit obligation is offset against plan assets measured at their fair value. Where the plan assets exceed the pension obligations and the enterprise has a right of reimbursement or a right to reduce future contributions, the surplus amount is recognised as an asset in accordance with IAS 19 and presented within other financial assets. In the case of externally funded plans, a liability is recognised under pension provisions where the benefit obligation exceeds fund assets.

Actuarial gains or losses may result from increases or decreases in either the present value of the defined benefit obligation or the fair value of the plan assets. Causes of actuarial gains or losses include the effect of changes in the measurement parameters, changes in estimates caused by the actual development of risks impacting on pension obligations and differences between the actual and expected return on plan assets. Actuarial gains or losses are recognised directly in revenue reserves within equity. Past service cost arises where a BMW Group company introduces a defined benefit plan or changes the benefits payable under an existing plan.

Based on the measurement principles contained in IAS 19, the following **funding status** applies to the Group's pension plans:

31 December	Germany		United Kingdom		Other		Total	
in € million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Present value of pension benefits covered by accounting provisions	**2**	3	**–**	–	**93**	86	**95**	89
Present value of funded pension benefits	**5,616**	5,289	**6,676**	6,014	**825**	616	**13,117**	11,919
Defined benefit obligations	**5,618**	5,292	**6,676**	6,014	**918**	702	**13,212**	12,008
Fair value of plan assets	**5,178**	5,207	**5,376**	4,812	**485**	436	**11,039**	10,455
Net obligation	**440**	85	**1,300**	1,202	**433**	266	**2,173**	1,553
Past service cost not yet recognised	**–**	–	**–**	–	**6**	6	**6**	6
Amount not recognised as an asset because of the limit in IAS 19.58	**–**	–	**–**	–	**3**	3	**3**	3
Balance sheet amounts at 31 December	**440**	85	**1,300**	1,202	**442**	275	**2,182**	1,562
thereof pension provision	**440**	85	**1,300**	1,202	**443**	276	**2,183**	1,563
thereof pension assets	**–**	–	**–**	–	**–1**	–1	**–1**	–1

Pension provisions relating to pension plans in other countries amounted to €443 million (2010: €276 million). This includes €350 million (2010: €190 million) relating to externally funded plans.

The increase in defined benefit obligations results mainly from the change in the discount rate used for the actuarial computation in the UK and USA. The impact of this on pension provisions was not fully offset by the better-than-expected return on fund assets in the UK.

The **changes in the pension provision** and the pension asset (reimbursement claims or right to reduce future contributions to the funds) as disclosed in the balance sheet can be derived as follows:

	Germany		United Kingdom		Other		Total	
in € million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Balance sheet amounts at 1 January	**85**	1,475	**1,202**	1,259	**275**	234	**1,562**	2,968
Effect of first-time consolidation	**–**	–	**–**	–	**1**	1	**1**	1
Expense from pension obligations	**189**	119	**113**	135	**47**	50	**349**	304
Pension payments or transfers to external funds	**–153**	–1,851	**–101**	–112	**–61**	–38	**–315**	–2,001
Actuarial gains (–) and losses (+) on defined benefit obligations	**–18**	441	**376**	–7	**135**	25	**493**	459
Actuarial gains (–) and losses (+) on plan assets	**334**	–102	**–328**	–110	**31**	–15	**37**	–227
Employee contributions	**3**	2	**–**	–	**–**	–	**3**	2
Translation differences and other changes	**–**	1	**38**	37	**14**	18	**52**	56
Balance sheet amounts at 31 December	**440**	85	**1,300**	1,202	**442**	275	**2,182**	1,562
thereof pension provision	**440**	85	**1,300**	1,202	**443**	276	**2,183**	1,563
thereof pension assets	**–**	–	**–**	–	**–1**	–1	**–1**	–1

The defined benefit plans of the BMW Group gave rise to an **expense from pension obligations** in the financial year 2011 of €349 million (2010: €304 million), comprising the following components:

	Germany		United Kingdom		Other		Total	
in € million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Current service cost	**142**	122	**63**	57	**35**	38	**240**	217
Expense from reversing the discounting of pension obligations	**248**	241	**311**	315	**35**	32	**594**	588
Past service cost	**48**	–42	**–12**	9	**1**	–	**37**	–33
Expected return on plan assets	**–249**	–202	**–249**	–246	**–24**	–20	**–522**	–468
Expense from pension obligations	**189**	119	**113**	135	**47**	50	**349**	304

The expense from reversing the discounting of pension obligations and the income from the expected return on plan assets are reported as part of the financial result. All other components of pension expense are included in the income statement under costs by function.

Depending on the risk structure of the pension obligations involved, pension plan assets are invested in various investment classes, the most predominant one being bonds. The asset portfolio also includes equity instruments, property and alternative investments. The expected rate of return is derived on the basis of the specific investment strategy applied to each individual pension fund. This is determined on the basis of the rates of return from the individual investment classes taking account of costs and unplanned risks. This approach resulted in the following expected rates of return on plan assets (disclosed on the basis of weighted averages):

	Germany		United Kingdom		Other	
in %	**2011**	2010	**2011**	2010	**2011**	2010
Expected rate of return on plan assets	**4.75**	5.30	**5.30**	5.40	**5.35**	5.51

Compared to the expected return of €522 million (2010: €468 million), fund assets actually increased in the financial year 2011 by €485 million (2010: increase in fund assets of €695 million), giving rise to actuarial losses on fund assets of €37 million (2010: actuarial gains of €227 million). Actuarial losses on obligations amounted to €493 million in 2011 (2010: actuarial losses of €459 million) and related mainly to the lower discount rates used in the UK and the USA.

The level of the pension obligations differs depending on the pension system applicable in each country.

Since the state pension system in the United Kingdom only provides a low fixed amount benefit, retirement benefits are largely organised in the form of company pensions on the one hand and arrangements financed by the individual on the other. The pension benefits in the UK therefore contain contributions made by the employee.

The **net obligation from pension plans** in Germany, the UK and other countries changed as follows:

Germany

	Defined benefit obligation		Plan assets		Net obligation	
in € million	**2011**	2010	**2011**	2010	**2011**	2010
1 January	**5,292**	4,619	**–5,207**	–3,144	**85**	1,475
Expense from pension obligations and expected return on plan assets	**438**	321	**–249**	–202	**189**	119
Payments to external funds	**–**	–	**–32**	–1,740	**–32**	–1,740
Employee contributions	**37**	29	**–34**	–27	**3**	2
Payments on account and pension payments	**–131**	–119	**10**	8	**–121**	–111
Actuarial gains (–) and losses (+)	**–18**	441	**334**	–102	**316**	339
Translation differences and other changes	**–**	1	**–**	–	**–**	1
31 December	**5,618**	**5,292**	**–5,178**	**–5,207**	**440**	**85**

United Kingdom

in € million	Defined benefit obligation 2011	Defined benefit obligation 2010	Plan assets 2011	Plan assets 2010	Net obligation 2011	Net obligation 2010
1 January	**6,014**	5,743	**–4,812**	–4,487	**1,202**	1,256
Expense from pension obligations and expected return on plan assets	**362**	381	**–249**	–246	**113**	135
Payments to external funds	**–**	–	**–101**	–112	**–101**	–112
Employee contributions	**1**	1	**–1**	–1	**–**	–
Payments on account and pension payments	**–276**	–282	**276**	282	**–**	–
Actuarial gains (–) and losses (+)	**376**	–7	**–328**	–110	**48**	–117
Translation differences and other changes	**199**	178	**–161**	–138	**38**	40
31 December	**6,676**	**6,014**	**–5,376**	**–4,812**	**1,300**	**1,202**

Other

in € million	Defined benefit obligation 2011	Defined benefit obligation 2010	Plan assets 2011	Plan assets 2010	Net obligation 2011	Net obligation 2010
1 January	**702**	569	**–436**	–346	**266**	223
Effect of first-time consolidation	**4**	1	**–3**	–	**1**	1
Expense from pension obligations and expected return on plan assets	**71**	70	**–24**	–20	**47**	50
Payments to external funds	**–**	–	**–56**	–35	**–56**	–35
Employee contributions	**2**	2	**–2**	–2	**–**	–
Payments on account and pension payments	**–23**	–18	**18**	15	**–5**	–3
Actuarial gains (–) and losses (+)	**135**	25	**31**	–15	**166**	10
Translation differences and other changes	**27**	53	**–13**	–33	**14**	20
31 December	**918**	**702**	**–485**	**–436**	**433**	**266**

Plan assets in Germany, the UK and other countries comprised the following:

Components of plan assets

in € million	Germany 2011	Germany 2010	United Kingdom 2011	United Kingdom 2010	Other countries 2011	Other countries 2010	Total 2011	Total 2010
Equity instruments	**1,384**	1,368	**1,055**	1,082	**211**	197	**2,650**	2,647
Debt securities	**3,556**	3,167	**2,927**	2,843	**183**	153	**6,666**	6,163
Real estate	**76**	–	**501**	430	**40**	26	**617**	456
Other	**162**	672	**893**	457	**51**	60	**1,106**	1,189
31 December	**5,178**	**5,207**	**5,376**	**4,812**	**485**	**436**	**11,039**	**10,455**

A substantial portion of plan assets is invested in debt securities in order to minimise the effect of capital market fluctuations. Other investment classes, such as stocks and shares, serve to generate higher rates of return. This is necessary to cover risks (such as changes in morbidity tables) not taken into account in the actuarial assumptions applied. The financial risk of pension payments having to be made for longer than the calculated period is also hedged for pensioners in the UK by a so-called longevity hedge.

The present value of the defined benefit obligations and the fair values of fund assets – as well as the actuarial adjustments made for those two items – have developed as follows over the last five years:

in € million	2011	2010	2009	2008	2007
Defined benefit obligation	**13,212**	12,008	10,931	8,788	10,631
Fair value of plan assets	**11,039**	10,455	7,977	5,491	6,029
Net obligation	**2,173**	1,553	2,954	3,297	4,602
Actuarial gains (–) and losses (+) on defined benefit obligations	**493**	459	1,464	–919	–557
Actuarial gains (–) and losses (+) on plan assets	**37**	–227	–289	868	44

Actuarial gains on benefit obligations, mostly attributable to experience adjustments, amounted to €60 million (2010: actuarial gains of €76 million). Experience adjustments relating to fund assets also resulted in actuarial losses of €23 million in the financial year under report (2010: actuarial gains €221 million).

36 — Other provisions

Other provisions comprise the following items:

in € million	31.12.2011 Total	31.12.2011 thereof due within one year	31.12.2010 Total	31.12.2010 thereof due within one year
Obligations for personnel and social expenses	**1,632**	**1,190**	1,392	941
Obligations for ongoing operational expenses	**2,953**	**1,023**	2,960	1,233
Other obligations	**1,668**	**891**	1,195	652
Other provisions	**6,253**	**3,104**	**5,547**	**2,826**

Provisions for obligations for personnel and social expenses comprise mainly performance-related remuneration components, early retirement part-time working arrangements and employee long-service awards. Obligations for performance-related remuneration components are normally settled in the following financial year. Provisions for obligations for on-going operational expenses comprise primarily warranty obligations and comprise both statutorily prescribed manufacturer warranties and other guaranties offered by the BMW Group. Depending on when claims are made, it is possible that the BMW Group may be called upon to fulfil obligations over the whole period of the warranty or guarantee. Provisions for other obligations cover numerous specific risks and obligations of uncertain timing and amount, in particular for litigation and liability risks.

Other provisions changed during the year as follows:

in € million	1.1.2011*	Translation differences	Additions	Reversal of discounting	Utilised	Reversed	31.12.2011
Obligations for personnel and social expenses	**1,397**	1	1,218	1	–938	–47	1,632
Obligations for ongoing operational expenses	**2,960**	43	1,180	72	–1,103	–199	2,953
Other obligations	**1,206**	–21	817	37	–238	–133	1,668
Other provisions	**5,563**	**23**	**3,215**	**110**	**–2,279**	**–379**	**6,253**

* including entities consolidated for the first time during the financial year

Income from the reversal of other provisions amounting to €308 million (2010: €168 million) is included in costs by function in the income statement.

37 — Income tax liabilities

Current income tax liabilities totalling €1,363 million (2010: €1,198 million) include claims amounting to €807 million (2010: €549 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 €1,363 million (2010: €1,198 million) comprise €122 million (2010: €189 million) for taxes payable and €1,241 million (2010: €1,009 million) for tax provisions. In 2011, tax provisions of €27 million were reversed (2010: €– million).

38 — Financial liabilities

Financial liabilities include all liabilities of the BMW Group at the relevant balance sheet dates relating to financing activities. Financial liabilities comprise the following:

31 December 2011 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	8,009	16,069	4,495	**28,573**
Liabilities to banks	2,983	5,166	249	**8,398**
Liabilities from customer deposits (banking)	8,928	3,090	23	**12,041**
Commercial paper	5,478	–	–	**5,478**
Asset backed financing transactions	3,152	6,233	–	**9,385**
Derivative instruments	999	1,456	24	**2,479**
Other	831	397	395	**1,623**
Financial liabilities	**30,380**	**32,411**	**5,186**	**67,977**

31 December 2010 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	6,681	17,883	3,004	**27,568**
Liabilities to banks	3,514	3,676	550	**7,740**
Liabilities from customer deposits (banking)	7,590	3,076	23	**10,689**
Commercial paper	5,242	–	–	**5,242**
Asset backed financing transactions	1,793	5,713	–	**7,506**
Derivative instruments	944	1,033	33	**2,010**
Other	756	454	388	**1,598**
Financial liabilities	**26,520**	**31,835**	**3,998**	**62,353**

The BMW Group uses various short-term and long-term refinancing instruments on money and capital markets to finance its operations. This diversification enables it to obtain attractive market conditions.

The main instruments used are corporate bonds, asset-backed financing transactions, liabilities to banks and liabilities from customer deposits (banking).

Customer deposit liabilities arise in the BMW Group's banks in Germany and the USA, both of which offer a range of investment products.

Bonds comprise:

Issuer	Interest	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in years)	Weighted average nominal interest rate (in %)
BMW Finance N.V., The Hague	variable	AUD 200 million	1.5	5.5
	variable	EUR 1,020 million	1.7	1.8
	variable	HKD 300 million	3.0	1.3
	variable	JPY 8,500 million	2.1	0.8
	variable	SEK 3,240 million	1.7	3.4
	variable	USD 220 million	1.8	1.2
	fixed	AUD 350 million	3.7	6.6
	fixed	CAD 125 million	2.0	2.2
	fixed	CHF 300 million	6.0	1.8
	fixed	EUR 13,476 million	5.8	4.6
	fixed	GBP 300 million	7.0	5.3
	fixed	HKD 836 million	3.0	2.0
	fixed	JPY 39,100 million	1.1	0.5
	fixed	NOK 4,100 million	3.0	4.2
	fixed	NZD 100 million	3.0	4.6
	fixed	RON 44 million	3.0	11.4
	fixed	SEK 1,000 million	3.0	3.8
	fixed	USD 300 million	5.2	5.2
BMW (UK) Capital plc, Bracknell	variable	EUR 100 million	3.0	2.1
	variable	JPY 18,900 million	5.0	0.8
	fixed	CHF 500 million	5.0	2.1
	fixed	GBP 300 million	8.0	5.0
	fixed	JPY 24,000 million	5.0	2.5
BMW US Capital, LLC, Wilmington, DE	variable	MXN 405 million	5.0	4.8
	variable	USD 732 million	2.3	1.1
	fixed	CHF 325 million	7.0	3.6
	fixed	EUR 4,000 million	6.3	5.5
	fixed	MXN 725 million	5.0	7.9
	fixed	USD 995 million	8.6	5.3
BMW Australia Finance Ltd., Melbourne, Victoria	variable	AUD 30 million	2.0	5.4
	variable	CHF 50 million	1.0	0.3
	variable	EUR 115 million	1.0	1.7
	variable	JPY 8,000 million	1.5	0.6
	variable	SEK 600 million	2.8	3.4
	variable	USD 340 million	2.0	1.3
	fixed	AUD 260 million	2.9	6.3
	fixed	CHF 450 million	4.1	2.1
	fixed	CNY 400 million	1.0	2.0
	fixed	JPY 12,000 million	1.7	0.7
	fixed	USD 100 million	2.5	1.1
Other	variable	JPY 19,200 million	2.3	0.4
	variable	ZAR 1,500 million	2.4	7.0
	fixed	CAD 1,325 million	3.1	3.1
	fixed	JPY 20,000 million	5.3	1.2

The following details apply to the commercial paper:

Issuer	Issue volume in relevant currency (ISO-Code)	Weighted average maturity period (in days)	Weighted average nominal interest rate (in %)
BMW AG, Munich	EUR 275 million	31.0	1.1
	GBP 20 million	39.5	1.2
	USD 253 million	53.7	1.2
BMW Finance N.V., The Hague	EUR 3,533 million	47.3	1.3
BMW Malta Finance Ltd., St. Julians	EUR 722 million	36.2	1.4
BMW US Capital, LLC, Wilmington, DE	USD 957 million	14.7	0.4

39 — **Other liabilities**

Other liabilities comprise the following items:

31 December 2011 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Other taxes	545	1	2	**548**
Social security	39	21	7	**67**
Advance payments from customers	1,810	48	–	**1,858**
Deposits received	155	76	–	**231**
Payables to subsidiaries	177	1	–	**178**
Payables to other companies in which an investment is held	25	–	–	**25**
Deferred income	1,411	2,377	280	**4,068**
Other	2,864	87	11	**2,962**
Other liabilities	**7,026**	**2,611**	**300**	**9,937**

31 December 2010 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Other taxes	560	–	–	**560**
Social security	40	17	7	**64**
Advance payments from customers	738	35	–	**773**
Deposits received	120	82	–	**202**
Payables to subsidiaries	57	1	–	**58**
Payables to other companies in which an investment is held	4	–	–	**4**
Deferred income	1,130	2,115	265	**3,510**
Other	2,590	54	7	**2,651**
Other liabilities	**5,239**	**2,304**	**279**	**7,822**

Deferred income comprises the following items:

in € million	31.12.2011 Total	31.12.2011 thereof due within one year	31.12.2010 Total	31.12.2010 thereof due within one year
Deferred income from lease financing	**1,564**	**731**	1,273	720
Deferred income relating to service contracts	**2,203**	**570**	1,928	307
Grants	**223**	**35**	241	38
Other deferred income	**78**	**75**	68	65
Deferred income	**4,068**	**1,411**	**3,510**	**1,130**

Deferred income relating to service contracts relates to service and repair work to be provided under commitments given at the time of the sale of a vehicle (multi-component arrangements). Grants comprise primarily public funds to promote regional structures and which have been invested in the production plants in Leipzig and Berlin. The grants are subject to holding periods for the assets concerned of up to five years and minimum employment figures. All conditions attached to the grants were complied with at 31 December 2011. In accordance with IAS 20, grant income is recognised over the useful lives of the assets to which they relate. Other deferred income includes primarily the effects of the initial measurement of financial instruments.

40 — Trade payables

31 December 2011 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Trade payables	5,295	43	2	**5,340**

31 December 2010 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Trade payables	4,327	24	–	**4,351**

The total amount of financial liabilities, other liabilities and trade payables with a maturity later than five years amounts €5,488 million (2010: €4,277 million).

41 — Contingent liabilities and other financial commitments

Contingent liabilities

No provisions were recognised for the following contingent liabilities (stated at their nominal amount), since an outflow of resources is not considered to be probable:

in € million	31.12.2011	31.12.2010
Guarantees	16	13
Performance guarantees	23	11
Other	99	66
Contingent liabilities	**138**	**90**

Contingent liabilities relate entirely to non-group entities.

The usual commercial guarantees have been given in relation to the sale of Rover Cars and Land Rover activities.

Other financial obligations

In addition to liabilities, provisions and contingent liabilities, the BMW Group also has other financial commitments, primarily under lease contracts for land, buildings, plant and machinery, tools, office and other facilities. The leases run for periods of one to 47 years and in some cases contain extension and/or purchase options. In 2011 an amount of €208 million (2010: €200 million) was recognised as an expense in conjunction with operating leases. All of these amounts relate to minimum lease payments.

The total of future minimum lease payments under non-cancellable and other operating leases can be analysed by maturity as follows:

in € million	31.12.2011	31.12.2010
Nominal total of future minimum lease payments		
due within one year	297	205
due between one and five years	704	609
due later than five years	663	589
Other financial obligations	**1,664**	**1,403**

Other financial obligations include €10 million (2010: €4 million) in respect of non-consolidated subsidiaries and, as in the previous year, €1 million for back-to-back operating leases.

Purchase commitments amounted to €1,654 million (2010: €1,193 million) for property, plant and equipment and to €186 million (2010: €– million) for intangible assets.

42 — Financial instruments

The carrying amounts and fair values of financial instruments are assigned to IAS 39 categories and cash funds[1] as follows:

31 December 2011 in € million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Assets						
Other investments	–	–	–	–	–	–
Receivables from sales financing	–	–	50,969	49,345	–	–
Financial assets						
— Derivative instruments						
—— Cash flow hedges	–	–	–	–	–	–
—— Fair value hedges	–	–	–	–	–	–
—— Other derivative instruments	–	–	–	–	–	–
— Marketable securities and investment funds	–	–	–	–	–	–
— Loans to third parties	–	–	23	23	–	–
— Credit card receivables	–	–	249	249	–	–
— Other	–	–	493	493	–	–
Cash and cash equivalents	7,776	7,776	–	–	–	–
Trade receivables	–	–	3,286	3,286	–	–
Other assets						
— Receivables from subsidiaries	–	–	714	714	–	–
— Receivables from companies in which an investment is held	–	–	393	393	–	–
— Collateral receivables	292	292	–	–	–	–
— Other	–	–	282	282	–	–
Total	**8,068**	**8,068**	**56,409**	**54,785**	**–**	**–**
Liabilities						
Financial liabilities						
— Bonds	–	–	–	–	–	–
— Liabilities to banks	–	–	–	–	–	–
— Liabilities from customer deposits (banking)	–	–	–	–	–	–
— Commercial paper	–	–	–	–	–	–
— Asset backed financing transactions	–	–	–	–	–	–
— Derivative instruments						
—— Cash flow hedges	–	–	–	–	–	–
—— Fair value hedges	–	–	–	–	–	–
—— Other derivative instruments	–	–	–	–	–	–
— Other	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–
Other liabilities						
— Payables to subsidiaries	–	–	–	–	–	–
— Payables to other companies in which an investment is held	–	–	–	–	–	–
— Other	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**

[1] The carrying amounts of cash flow and fair value hedges are allocated to the category “Held for trading” for the sake of clarity.
[2] Carrying amount corresponds to fair value.

Other liabilities		Available-for-sale	Fair value option	Held for trading	
Fair value	Carrying amount	Carrying amount[2]	Carrying amount[2]	Carrying amount[2]	
					Assets
–	–	561	–	–	Other investments
–	–	–	–	–	Receivables from sales financing
					Financial assets
					Derivative instruments
–	–	–	–	281	Cash flow hedges
–	–	–	–	1,230	Fair value hedges
–	–	–	–	847	Other derivative instruments
–	–	2,330	–	–	Marketable securities and investment funds
–	–	–	–	–	Loans to third parties
–	–	–	–	–	Credit card receivables
–	–	–	–	–	Other
–	–	–	–	–	Cash and cash equivalents
–	–	–	–	–	Trade receivables
					Other assets
–	–	–	–	–	Receivables from subsidiaries
–	–	–	–	–	Receivables from companies in which an investment is held
–	–	–	–	–	Collateral receivables
–	–	–	–	–	Other
–	**–**	**2,891**	**–**	**2,358**	**Total**
					Liabilities
					Financial liabilities
28,686	28,573	–	–	–	Bonds
8,398	8,398	–	–	–	Liabilities to banks
12,127	12,041	–	–	–	Liabilities from customer deposits (banking)
5,478	5,478	–	–	–	Commercial paper
9,337	9,385	–	–	–	Asset backed financing transactions
					Derivative instruments
–	–	–	–	1,259	Cash flow hedges
–	–	–	–	347	Fair value hedges
–	–	–	–	873	Other derivative instruments
1,623	1,623	–	–	–	Other
5,340	5,340	–	–	–	Trade payables
					Other liabilities
178	178	–	–	–	Payables to subsidiaries
25	25	–	–	–	Payables to other companies in which an investment is held
4,497	4,497	–	–	–	Other
75,689	**75,538**	**–**	**–**	**2,479**	**Total**

31 December 2010 in € million	Cash funds		Loans and receivables		Held-to-maturity investments	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Assets						
Other investments	–	–	–	–	–	–
Receivables from sales financing	–	–	46,416	45,365	–	–
Financial assets						
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Marketable securities and investment funds	–	–	–	–	–	–
Loans to third parties	–	–	58	58	–	–
Credit card receivables	–	–	262	262	–	–
Other	–	–	462	462	–	–
Cash and cash equivalents	7,432	7,432	–	–	–	–
Trade receivables	–	–	2,329	2,329	–	–
Other assets						
Receivables from subsidiaries	–	–	688	688	–	–
Receivables from companies in which an investment is held	–	–	258	258	–	–
Collateral receivables	474	474	–	–	–	–
Other	–	–	274	274	–	–
Total	**7,906**	**7,906**	**50,747**	**49,696**	**–**	**–**
Liabilities						
Financial liabilities						
Bonds	–	–	–	–	–	–
Liabilities to banks	–	–	–	–	–	–
Liabilities from customer deposits (banking)	–	–	–	–	–	–
Commercial paper	–	–	–	–	–	–
Asset backed financing transactions	–	–	–	–	–	–
Derivative instruments						
Cash flow hedges	–	–	–	–	–	–
Fair value hedges	–	–	–	–	–	–
Other derivative instruments	–	–	–	–	–	–
Other	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–
Other liabilities						
Payables to subsidiaries	–	–	–	–	–	–
Payables to other companies in which an investment is held	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**

* Carrying amount corresponds to fair value.

	Other liabilities		Available-for-sale	Fair value option	Held for trading
	Fair value	Carrying amount	Carrying amount*	Carrying amount*	Carrying amount*
Assets					
Other investments	–	–	177	–	–
Receivables from sales financing	–	–	–	–	–
Financial assets					
Derivative instruments					
Cash flow hedges	–	–	–	–	900
Fair value hedges	–	–	–	–	1,102
Other derivative instruments	–	–	–	–	779
Marketable securities and investment funds	–	–	1,566	–	–
Loans to third parties	–	–	–	–	–
Credit card receivables	–	–	–	–	–
Other	–	–	–	–	–
Cash and cash equivalents	–	–	–	–	–
Trade receivables	–	–	–	–	–
Other assets					
Receivables from subsidiaries	–	–	–	–	–
Receivables from companies in which an investment is held	–	–	–	–	–
Collateral receivables	–	–	–	–	–
Other	–	–	–	–	–
Total	**–**	**–**	**1,743**	**–**	**2,781**
Liabilities					
Financial liabilities					
Bonds	27,655	27,568	–	–	–
Liabilities to banks	7,726	7,740	–	–	–
Liabilities from customer deposits (banking)	10,723	10,689	–	–	–
Commercial paper	5,240	5,242	–	–	–
Asset backed financing transactions	7,464	7,506	–	–	–
Derivative instruments					
Cash flow hedges	–	–	–	–	921
Fair value hedges	–	–	–	–	375
Other derivative instruments	–	–	–	–	714
Other	1,598	1,598	–	–	–
Trade payables	4,351	4,351	–	–	–
Other liabilities					
Payables to subsidiaries	58	58	–	–	–
Payables to other companies in which an investment is held	4	4	–	–	–
Other	3,137	3,137	–	–	–
Total	**67,956**	**67,893**	**–**	**–**	**2,010**

Fair value measurement of financial instruments

The fair values shown are computed using market information available at the balance sheet date, on the basis of prices quoted by the contract partners or using appropriate measurement methods, e.g. discounted cash flow models. In the latter case, amounts were discounted at 31 December 2011 on the basis of the following interest rates:

ISO-Code in %	EUR	USD	GBP	JPY
Interest rate for six months	0.85	0.37	0.79	0.23
Interest rate for one year	0.78	0.45	0.77	0.31
Interest rate for five years	1.75	1.23	1.57	0.46
Interest rate for ten years	2.45	2.06	2.35	1.00

Interest rates taken from interest rate curves were 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 instruments 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.

Financial instruments measured at fair value are allocated to different measurement levels in accordance with IFRS 7. This includes financial instruments that are

1 valued according to quoted prices in an active market for identical financial instruments (Level 1),
2 valued according to quoted prices in an active market for comparative financial instruments or using valuation models whose main input factors are based on observable market data (Level 2), or
3 valued using input factors that are not based on observable market data (Level 3).

The following table shows the amounts allocated to each measurement level at 31 December 2011:

31 December 2011	Level hierarchy in accordance with IFRS 7		
in € million	Level 1	Level 2	Level 3
Marketable securities and investment fund shares – available-for-sale	2,330	–	–
Other investments – available-for-sale	419	–	–
Derivative instruments (assets)			
Cash flow hedges	–	281	–
Fair value hedges	–	1,230	–
Other derivative instruments	–	827	20
Derivative instruments (liabilities)			
Cash flow hedges	–	1,259	–
Fair value hedges	–	347	–
Other derivative instruments	–	873	–

31 December 2010 in € million	Level hierarchy in accordance with IFRS 7 Level 1	Level 2	Level 3
Marketable securities and investment fund shares – available-for-sale	1,566	–	–
Other investments – available-for-sale	–	–	–
Derivative instruments (assets)			
Cash flow hedges	–	900	–
Fair value hedges	–	1,102	–
Other derivative instruments	–	779	–
Derivative instruments (liabilities)			
Cash flow hedges	–	921	–
Fair value hedges	–	375	–
Other derivative instruments	–	714	–

Other investments (available-for-sale) amounting to €142 million (2010: €177 million) are measured at amortised cost since quoted market prices are not available or cannot be determined reliably. These are therefore not included in the level hierarchy shown above. In addition, other investments amounting to €419 million (2010: €– million) are measured at fair value since quoted market prices are available. These items are included in Level 1.

Level 3 includes the fair value of an option to an equity instrument. The change in the option's fair value was recognised with income statement effect in the financial year 2011 (income of €20 million reported in the line item "Financial Result"). Since most of the fair value of the option price is fixed, changes in input factors did not have any significant impact.

As in the previous year, there were no significant reclassifications within the level hierarchy during the financial year 2011.

Gains and losses on financial instruments

The following table shows the net gains and losses arising for each of the categories of financial instrument defined by IAS 39:

in € million	**2011**	2010
Held for trading		
Gains/losses from the use of derivative instruments	**–565**	15
Available-for-sale		
Gains and losses on sale and fair value measurement of marketable securities held for sale (including investments in subsidiaries and participations measured at cost)	**–13**	–175
Income from investments	**1**	5
Accumulated other equity		
Balance at 1 January	**9**	20
Total change during the year	**–70**	–11
of which recognised in the income statement during the period under report	**–8**	3
Balance at 31 December	**–61**	9
Loans and receivables		
Impairment losses/reversals of impairment losses	**–340**	–581
Other income/expenses	**–101**	–69
Other liabilities		
Income/expenses	**–91**	–90

Gains/losses from the use of derivatives relate primarily to fair value gains or losses arising on stand-alone derivatives.

Interest income and expense from interest rate and interest rate/currency swaps amounted to a net income of €57 million (2010: net expense of €178 million).

Write-downs of €4 million (2010: €3 million) on available-for-sale securities, for which fair value changes were previously recognised directly in equity, were recognised as expenses in 2011. Reversals of write-downs on current marketable securities amounting to €2 million were recognised directly in equity (2010: €– million).

The disclosure of interest income resulting from the unwinding of interest on future expected receipts would normally only be relevant for the BMW Group where assets have been discounted as part of the process of determining impairment losses. However, as a result of the assumption that most of the income that is subsequently recovered is received within one year and the fact that the impact is not material, the BMW Group does not discount assets for the purposes of determining impairment losses.

Cash flow hedges

The effect of cash flow hedges on accumulated other equity was as follows:

in € million	**2011**	2010
Balance at 1 January	**–127**	209
Total changes during the year	**–623**	–336
of which recognised in the income statement during the period under report	**–68**	274
Balance at 31 December	**–750**	**–127**

Fair value gains and losses recognised on derivatives and recorded initially in accumulated other equity are reclassified to cost of sales when the derivatives mature.

Losses amounting to €2 million (2010: €24 million) attributable to forecasting errors (and the resulting overhedging of currency exposures) were recognised as an expense within the line item "Financial Result" in the financial year 2011. These forecasting errors, which all related to the year under report, arise primarily as a result of changes in sales forecasts in foreign currencies. In addition, an expense of €52 million (2010: income of €3 million) was recognised in conjunction with the ineffective portion of cash flow hedges relating to raw materials. These amounts were also reported in "Financial Result".

At 31 December 2011 the BMW Group held derivative instruments with terms of up to 54 months (2010: 60 months) to hedge currency risks attached to forecasted transactions. It is expected that €279 million of net losses, recognised in equity at the end of the reporting period, will be recognised in the income statement in 2012.

At 31 December 2011 the BMW Group held derivative instruments with terms of up to 60 months (2010: 72 months) to hedge interest rate risks. It is expected that €10 million of net losses, recognised in equity at the end of the reporting period, will be recognised in the income statement in 2012.

At 31 December 2011 the BMW Group held derivative instruments with terms of up to 55 months (2010: 35 months) to hedge raw material price risks attached to future transactions. It is expected that €18 million of net gains, recognised in equity at the end of the reporting period, will be recognised in the income statement in 2012.

Cash flow hedges are generally used to hedge cash flows arising in conjunction with the supply of vehicles to subsidiaries and to hedge raw material price fluctuations.

Fair value hedges

The following table shows gains and losses on hedging instruments and hedged items which are deemed to be part of a fair value hedge relationship:

in € million	**31.12.2011**	31.12.2010*
Gains/losses on hedging instruments designated as part of a fair value hedge relationship	**213**	–239
Gains/loss from hedged items	**–225**	253
	–12	14

* Prior year figures restated

The difference between the gains/losses on hedging instruments and the result recognised on hedged items represents the ineffective portion of fair value hedges.

Fair value hedges are mainly used to hedge the market prices of bonds, other financial liabilities and receivables from sales financing.

Credit risk

Notwithstanding the existence of collateral accepted, the carrying amounts of financial assets generally take account of the maximum credit risk arising from the possibility that the counterparties will not be able to fulfil their contractual obligations. The maximum credit risk for irrevocable credit commitments relating to credit card business amounts to €1,031 million (2010: €1,020 million). The equivalent figure for dealer financing is €16,699 million (2010: €14,388 million).

In the case of performance relationships underlying non-derivative financial instruments, collateral will be required, information on the credit-standing of the counterparty obtained or historical data based on the existing business relationship (i.e. payment patterns to date) reviewed in order to minimise the credit risk, all depending on the nature and amount of the exposure that the BMW Group is proposing to enter into.

Within the financial services business, the financed items (e.g. vehicles, equipment and property) in the retail customer and dealer lines of business serve as first-ranking collateral with a recoverable value. Security is also put up by customers in the form of collateral asset pledges, asset assignment and first-ranking mortgages, supplemented where appropriate by warranties and guarantees. If an item previously accepted as collateral is acquired, it undergoes a multi-stage process of repossession and disposal in accordance with the legal situation prevailing in the relevant market. The assets involved are generally vehicles which can be converted into cash at any time via the dealer organisation.

Impairment losses are recorded as soon as credit risks are identified on individual financial assets, using a methodology specifically designed by the BMW Group. More detailed information regarding this methodology is provided in the section on accounting policies.

Creditworthiness testing is an important aspect of the BMW Group's credit risk management. Every borrower's creditworthiness is tested for all credit financing and lease contracts entered into by the BMW Group. In the case of retail customers, creditworthiness is assessed using validated scoring systems integrated into the purchasing process. In the area of dealer financing, creditworthiness is assessed by means of ongoing credit monitoring and an internal rating system that takes account not only of the tangible situation of the borrower but also of qualitative factors such as past reliability in business relations.

The credit risk relating to derivative financial instruments is minimised by the fact that the Group only enters into such contracts with parties of first-class credit standing. The general credit risk on derivative financial instruments utilised by the BMW Group is therefore not considered to be significant.

A concentration of credit risk with particular borrowers or groups of borrowers has not been identified in conjunction with financial instruments.

Further disclosures relating to credit risk – in particular with regard to the amounts of impairment losses recognised – are provided in the explanatory notes to the relevant categories of receivables in notes 27, 28 and 32.

Liquidity risk

The following table shows the maturity structure of expected contractual cash flows (undiscounted) for financial liabilities:

31 December 2011 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	–9,100	–17,430	–4,509	**–31,039**
Liabilities to banks	–3,197	–5,449	–268	**–8,914**
Liabilities from customer deposits (banking)	–8,968	–3,254	–24	**–12,246**
Commercial paper	–5,486	–	–	**–5,486**
Asset backed financing transactions	–3,191	–6,474	–	**–9,665**
Derivative instruments	–1,410	–2,218	–7	**–3,635**
Trade payables	–5,295	–43	–2	**–5,340**
Other financial liabilities	–847	–483	–488	**–1,818**
	–37,494	**–35,351**	**–5,298**	**–78,143**

31 December 2010 in € million	Maturity within one year	Maturity between one and five years	Maturity later than five years	**Total**
Bonds	–7,812	–19,567	–3,197	**–30,576**
Liabilities to banks	–3,594	–4,029	–587	**–8,210**
Liabilities from customer deposits (banking)	–8,089	–3,210	–25	**–11,324**
Commercial paper	–5,246	–	–	**–5,246**
Asset backed financing transactions	–1,810	–5,811	–	**–7,621**
Derivative instruments	–1,244	–1,375	–35	**–2,654**
Trade payables	–4,327	–24	–	**–4,351**
Other financial liabilities	–771	–532	–525	**–1,828**
	–32,893	**–34,548**	**–4,369**	**–71,810**

The cash flows shown comprise principal repayments and the related interest. The amounts disclosed for derivatives comprise only cash flows relating to derivatives that have a negative fair value at the balance sheet date. Irrevocable credit commitments to dealers which had not been called upon at the end of the reported period amounted to €5,764 million (2010: €4,654 million).

Solvency is assured at all times by managing and monitoring the liquidity situation on the basis of a rolling cash flow forecast. The resulting funding requirements are secured by a variety of instruments placed on the world's financial markets. The objective is to minimise risk by matching maturities for the Group's financing requirements within the framework of the target debt ratio. The BMW Group has good access to capital markets as a result of its solid financial position and a diversified refinancing strategy. This is underpinned by the longstanding long- and short-term ratings issued by Moody's and S & P.

Short-term liquidity is managed primarily by issuing money market instruments (commercial paper). In this area too, competitive refinancing conditions can be achieved thanks to Moody's and S & P short-term ratings of P-1 and A-2 respectively.

Also reducing liquidity risk, additional secured and unsecured lines of credit are in place with first-class international banks. Intra-group cash flow fluctuations are evened out by the use of daily cash pooling arrangements.

Market risks

The principal market risks to which the BMW Group is exposed are currency risk and interest rate risk.

Protection against such risks is provided in the first instance though natural hedging which arises when the values of non-derivative financial instruments have matching maturities and amounts (netting). Derivative financial instruments are used to reduce the risk remaining after netting. Financial instruments are only used to hedge underlying positions or forecast transactions.

The scope of permitted transactions, responsibilities, financial reporting procedures and control mechanisms used for financial instruments are set out in internal guidelines. This includes, above all, a clear separation of duties between trading and processing. Currency and interest rate risks are managed at a corporate level.

Further disclosures relating to risk management are provided in the Combined Group and Company Management Report.

Currency risk

As an enterprise with worldwide operations, business is conducted in a variety of currencies, from which currency risks arise. Since a significant portion of Group revenues are generated outside the euro currency region and the procurement of production material and funding is also organised on a worldwide basis, the currency risk is an extremely important factor for Group earnings.

At 31 December 2011 derivative financial instruments were in place to hedge exchange rate risks, in particular for the currencies Chinese renminbi, US dollar, British pound and Japanese yen. The hedging contracts comprise mainly option and forward currency contracts.

A description of the management of currency risk is provided in the Combined Group and Company Management Report. The BMW Group measures currency risk using a cash-flow-at-risk model.

The starting point for analysing currency risk with this model is the identification of forecast foreign currency transactions or "exposures". At the end of the reporting period, the principal exposures for the coming year were as follows:

in € million	31.12.2011	31.12.2010
Euro/Chinese Renminbi	**7,114**	6,256
Euro/US Dollar	**4,281**	3,888
Euro/British Pound	**3,266**	3,056
Euro/Japanese Yen	**1,334**	1,086

In the next stage, these exposures are compared to all hedges that are in place. The net cash flow surplus represents an uncovered risk position. The cash-flow-at-risk approach involves allocating the impact of potential exchange rate fluctuations to operating cash flows on the basis of probability distributions. Volatilities and correlations serve as input factors to assess the relevant probability distributions.

The potential negative impact on earnings for the current period is computed on the basis of current market prices and exposures to a confidence level of 95% and a holding period of up to one year for each currency. Aggregation of these results creates a risk reduction effect due to correlations between the various portfolios.

The following table shows the potential negative impact for the BMW Group – measured on the basis of the cash-flow-at-risk approach – attributable at the balance sheet date to unfavourable changes in exchange rates for the principal currencies.

in € million	31.12.2011	31.12.2010
Euro/Chinese Renminbi	**180**	265
Euro/US Dollar	**121**	103
Euro/British Pound	**182**	184
Euro/Japanese Yen	**23**	30

Currency risk for the BMW Group is concentrated on the currencies referred to above.

Interest rate risk

The BMW Group's financial management system involves the use of standard financial instruments such as short-term deposits, investments in variable and fixed-income securities as well as securities funds. The BMW Group is therefore exposed to risks resulting from changes in interest rates. These risks arise when funds with differing fixed-rate periods or differing terms are borrowed and invested. All items subject to, or bearing, interest are exposed to interest rate risk. Interest rate risks can affect either side of the balance sheet.

The fair values of the Group's interest rate portfolios for the three principal currencies were as follows at the end of the reporting period:

in € million	31.12.2011	31.12.2010
Euro	**6,066**	4,290
US Dollar	**8,684**	7,429
British Pound	**3,278**	2,599

Interest rate risks can be managed by the use of interest rate derivatives. The interest rate contracts used for hedging purposes comprise mainly swaps which are accounted for on the basis of whether they are designated as a fair value hedge or as a cash flow hedge. A description of the management of interest rate risk is provided in the Combined Group and Company Management Report.

As stated there, the BMW Group applies a value-at-risk approach for internal reporting purposes and to manage interest rate risks. This is based on a variance-covariance method, in which the potential future fair value losses of the interest rate portfolios are compared across the Group with expected amounts measured on the basis of a holding period of ten days and a confidence level of 99%. Aggregation of these results creates a risk reduction effect due to correlations between the various portfolios.

In the following table the potential volume of fair value fluctuations – measured on the basis of the value-at-risk approach – are compared with the expected value for the interest rate relevant positions of the BMW Group for the three principal currencies:

in € million	**31.12.2011**	31.12.2010
Euro	**38**	11
US Dollar	**24**	27
British Pound	**3**	4

Other risks

The BMW Group is exposed to raw material price risks. A description of the management of these risks is provided in the Combined Group and Company Management Report. In order to reduce these risks, derivative financial instruments are used that serve to hedge purchase price fluctuations agreed with suppliers with respect to the raw material content of purchases. Changes in the fair values of these derivatives, which generally track the quoted market prices of the raw material being hedged, gives rise to market price risks for the Group.

If the market prices of hedged raw materials had been 10% higher (lower) at 31 December 2011, the Group profit before tax would have been €95 million higher (€95 million lower) and accumulated other equity relating to cash flow hedges would have been €190 million higher (€190 million lower).

A further exposure relates to the residual value risk on vehicles returned to the Group at the end of lease contracts. The risks from financial instruments used in this context were not material to the Group in the past and/or at the end of the reporting period. A description of the management of this risk is provided in the Combined Group and Company Management Report. Information regarding the residual value risk from operating leases is provided in the section on accounting policies in note 6.

43 — Explanatory notes to the cash flow statements

The cash flow statements show how the cash and cash equivalents of the BMW Group and of the Automotive and Financial Services segments have changed in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7 (Statement of Cash Flows), cash flows are classified into cash flows from operating, investing and financing activities.

Cash and cash equivalents included in the cash flow statement comprise cash in hand, cheques, and cash at bank, to the extent that they are available within three months from the end of the reporting period and are subject to an insignificant risk of changes in value.

The cash flows from investing and financing activities are based on actual payments and receipts. By contrast, the cash flow from operating activities is derived indirectly from the net profit for the year. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects and changes in the composition of the Group. The changes in balance sheet positions shown in the cash flow statement do not therefore agree directly with the amounts shown in the Group and segment balance sheets.

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. In previous financial statements, they were presented within cash flows from investing activities. The change in presentation in the BMW Group's Cash Flow Statements has been made with effect from the end of the financial year 2011. Prior year figures have been adjusted in accordance with IAS 8.42. Cash inflow from operating activities decreased by €4,476 million as a result of this reclassification and cash outflows for investing activities decreased by the same amount. Cash flows relating to operating leases, where the BMW Group is the lessee, continue to be reported within operating activities. As a result of the change in presentation, changes in leased products are now reported on a net basis within operating activities.

The presentation of receivables from sales financing within the Cash Flow Statement has also been changed in the Group Financial Statements for the year ended 31 December 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, cash flows from operating activities were €4,856 million lower than reported in the financial year 2010. Cash outflows for investing activities decreased by the same amount. In situations where the BMW Group is the lessee in a finance lease, the relevant components of changes continue to be reported within operating activities and investing activities. As with leased products, changes in receivables from sales financing are now reported on a net basis within operating activities.

Overall, cash flows from operating activities were €4,319 million lower than reported in the financial year 2010. The cash outflow for investing activities went down accordingly to €5,190 million.

The following table provides an overview of adjustments made to the previous year's figures. This also includes a summary of the adjustments described in note 8.

31 December 2010 in € million	As originally reported	Change in accounting policy*	Adjustment to leased-out assets	Adjustment to receivables from sales financing	As reported
Net profit	3,234	9	–	–	**3,243**
Change in leased products	–	–17	905	–	**888**
Depreciation of leased products	5,381	–	–5,381	–	**–**
Changes in trade receivables	–	–	–	–4,616	**–4,616**
Change in deferred taxes	340	8	–	–	**348**
Other non-cash income and expense items	–454	–	–	–240	**–694**
Cash inflow/outflow from operating activities	13,651	–	–4,476	–4,856	**4,319**
Investment in leased products	–11,898	–	11,898	–	**–**
Disposals of leased products	7,422	–	–7,422	–	**–**
Additionals to receivables from sales financing	–61,120	–	–	61,120	**–**
Payments received on receivables from sales financing	56,264	–	–	–56,264	**–**
Cash inflow/outflow from investing activities	–14,522	–	4,476	4,856	**–5,190**

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Cash outflows for taxes on income and cash inflows from interest are classified as cash flows from operating activities in accordance with IAS 7.31 and IAS 7.35. Cash outflows for interest are presented on a separate line within cash flows from financing activities.

Cash flows from dividends received amounted to €1 million (2010: €5 million).

The BMW Group acquired the ICL Group with effect from 30 September 2011. The purchase consideration of €699 million was paid fully out of cash funds. Cash and cash equivalents totalling €104 million were acquired in conjunction with the acquisition. Detailed information is provided in note 3.

44 — 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 financial year 2011, the disclosure requirements contained in IAS 24 only affect the BMW Group with regard to business relationships with affiliated, non-consolidated entities, joint ventures, participations and members of BMW AG's Board of Management and Supervisory Board.

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 2011 for an amount of €1,729 million (2010: €1,046 million). At 31 December 2011 receivables of Group companies from BMW Brilliance Automotive Ltd., Shenyang, amounted to €381 million (2010: €260 million). Payables of Group companies to BMW Brilliance Automotive Ltd., Shenyang, at 31 December 2011 amounted to €89 million (2010: €– million). Group companies received goods and services from BMW Brilliance Automotive Ltd., Shenyang, during the financial year under report for an amount of €15 million (2010: €– million).

All relationships of BMW Group entities with the joint ventures SGL Automotive Carbon Fibers GmbH & Co. KG, Munich, and SGL Automotive Carbon Fibers LLC, Dover, DE, 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 these joint ventures totalling €1 million (2010: €– million). At 31 December 2011 receivables of Group companies for loans disbursed to the joint ventures amounted to €61 million (2010: €20 million). Goods and services received by Group companies from the joint ventures totalled €4 million (2010: €– million). At 31 December 2011 payables of Group companies to the joint ventures amounted to €1 million (2010: €– million).

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 2011 Group entities purchased services and goods from Cirquent GmbH, Munich, amounting to €76 million (2010: €56 million). At 31 December 2011 payables of Group companies to Cirquent GmbH, Munich, amounted to €24 million (2010: €4 million). As at the end of the previous financial year, Group entities had no receivables from Cirquent GmbH, Munich.

Stefan Quandt is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v.d.H., which, via its subsidiaries, performed logistics services for the BMW Group during the financial year 2011. 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 financial year 2011, 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.

45 — Declaration with respect to the Corporate Governance Code

The Board of Management and the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft have issued the Declaration of Compliance pursuant to §161 of the German Stock Corporation Act. The Declaration of Compliance is reproduced on page 153 and is also available to shareholders on the BMW Group website at www.bmwgroup.com/ir.

46 — Shareholdings of members of the Board of Management and Supervisory Board

The members of the Supervisory Board of BMW AG hold in total 27.65 % (2010: 27.66 %) of the issued common and preferred stock shares, of which 16.09 % (2010: 16.10 %) relates to Stefan Quandt, Bad Homburg v. d. H. and 11.56 % (2010: 11.56 %) to Susanne Klatten, Munich. As at the end of the previous financial year, shareholdings of members of the BMW AG Board of Management account, in total, for less than 1 % of issued shares.

47 — Compensation of members of the Board of Management and Supervisory Board

The compensation of current members of the Board of Management and Supervisory Board amounted to €32.1 million (2010: €22.2 million) and comprised the following:

in € million	2011	2010
Short-term employment benefits	31.0	21.3
Post-employment benefits	1.1	0.9
Compensation	**32.1**	**22.2**

The total compensation of the current Board of Management members for 2011 amounted to €27.3 million (2010: €18.2 million). This comprised fixed components of €4.7 million (2010: €3.7 million), variable components of €21.9 million (2010: €14.5 million) and a share-based compensation component totalling €0.7 million (2010: €– million).

In addition, an expense of €1.1 million (2010: €0.9 million) was recognised for current members of the Board of Management for the period after the end of their employment relationship. This relates to the expense for allocations to pension provisions (service costs). Pension obligations to current members of the Board of Management are covered by pension provisions amounting to €19.0 million (2010: €17.4 million), computed in accordance with IAS 19 (Employee Benefits).

The remuneration of former members of the Board of Management and their dependants amounted to €3.7 million (2010: €3.7 million).

Pension obligations to former members of the Board of Management and their surviving dependants are fully covered by pension provisions amounting to €51.6 million (2010: €49.7 million), computed in accordance with IAS 19.

The compensation of the members of the Supervisory Board for the financial year 2011 amounted to €4.5 million (2010: €3.1 million). This comprised fixed components of €1.6 million (2010: €1.6 million) and variable components of €2.9 million (2010: €1.5 million).

The compensation system for members of the Supervisory Board do not include any stock options, value appreciation rights comparable to stock options or any other stock-based compensation components. Apart from vehicle lease contracts entered into on customary market conditions, no advances and loans were granted by the Company to members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Further details about the remuneration of current members of the Board of Management and the Supervisory Board can be found in the Compensation Report, which is part of the Combined Group and Company Management Report.

48 — Application of exemptions pursuant to § 264 (3) and § 264b HGB

A number of companies and incorporated partnerships (as defined by § 264a HGB) which are affiliated, consolidated entities of BMW AG and for which the consolidated financial statements of BMW AG represent exempting consolidated financial statements, apply the exemptions available in § 264 (3) and § 264b HGB with regard to the drawing up of a management report.
The exemptions have been applied by:

- Bavaria Wirtschaftsagentur GmbH, Munich
- BMW Fahrzeugtechnik GmbH, Eisenach
- BMW Hams Hall Motoren GmbH, Munich
- BMW M GmbH Gesellschaft für individuelle Automobile, Munich
- Rolls-Royce Motor Cars GmbH, Munich

In addition, the following entities apply the exemption available in § 264 (3) and § 264b HGB with regard to publication:

- Bavaria Wirtschaftsagentur GmbH, Munich
- BMW Fuhrparkmanagement Beteiligungs GmbH, Munich
- BMW Hams Hall Motoren GmbH, Munich
- BMW M GmbH Gesellschaft für individuelle Automobile, Munich
- BMW INTEC Beteiligungs GmbH, Munich
- BMW Verwaltungs GmbH, Munich
- Rolls-Royce Motor Cars GmbH, Munich

BMW Group
Notes to the Group Financial Statements
Segment Information

49 — Explanatory notes to segment information

Information on reportable segments

For the purposes of presenting segment information, the activities of the BMW Group are divided into operating segments in accordance with IFRS 8 (Operating Segments). Operating segments are identified on the same basis that is used internally to manage and report on performance and takes account of the organisational structure of the BMW Group based on the various products and services of the reportable segments.

The activities of the BMW Group are broken down into the operating segments Automotive, Motorcycles, Financial Services and Other Entities.

The Automotive segment develops, manufactures, assembles and sells cars and off-road vehicles, under the brands BMW, MINI and Rolls-Royce as well as spare parts and accessories. BMW and MINI brand products are sold in Germany through branches of BMW AG and by independent, authorised dealers. Sales outside Germany are handled primarily by subsidiary companies and, in a number of markets, by independent import companies. Rolls-Royce brand vehicles are sold in the USA via a subsidiary company and elsewhere by independent, authorised dealers.

The BMW Motorcycles segment develops, manufactures, assembles and sells BMW and Husqvarna brand motorcycles as well as spare parts and accessories.

The principal lines of business of the Financial Services segment are car leasing, fleet business, retail customer and dealer financing, customer deposit business and insurance activities.

Holding and Group financing companies are included in the Other Entities segment. This segment also includes operating companies -- BMW Services Ltd., Bracknell, BMW (UK) Investments Ltd., Bracknell, Bavaria Lloyd Reisebüro GmbH, Munich, and MITEC Mikroelektronik Mikrotechnik Informatik GmbH, Dingolfing -- which are not allocated to one of the other segments.

Eliminations comprise the effects of eliminating business relationships between the operating segments.

Internal management and reporting

Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the Group Financial Statements. The change in accounting policy for leased products did not have any impact on the operating segments. Inter-segment receivables and payables, provisions, income, expenses and profits are eliminated in the column "Eliminations". Inter-segment sales take place at arm's length prices.

The role of "chief operating decision maker" with respect to resource allocation and performance assessment of the reportable segment is embodied in the full Board of Management. In order to assist the decision-taking process, various measures of segment profit or loss and of segment assets have been set for the various operating segments.

The Automotive and Motorcycles segments are managed on the basis of the profit before financial result. Capital employed is the corresponding measure of segment assets used to determine how to allocate resources. Capital employed comprises all current and non-current operational assets of the segment after deduction of liabilities used operationally which are not subject to interest (e.g. trade payables).

The performance of the Financial Services segment is measured on the basis of profit or loss before tax. Net assets, defined as all assets less all liabilities, are used as the basis for assessing the allocation of resources.

The performance of the Other Entities segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Other Entities segment is total assets less tax receivables and investments.

Segment information by operating segment is as follows:

Segment information by operating segment

in € million	Automotive 2011	Automotive 2010	Motorcycles 2011	Motorcycles 2010
External revenues	**51,684**	44,221	**1,427**	1,291
Inter-segment revenues	**11,545**	9,916	**9**	13
Total revenues	**63,229**	**54,137**	**1,436**	**1,304**
Segment result	**7,477**	4,355	**45**	71
Capital expenditure on non-current assets	**3,728**	3,355	**88**	70
Depreciation and amortisation on non-current assets	**3,568**	3,592	**62**	74

* Adjusted for effect of change in accounting policy for leased products as described in note 8

in € million	Automotive 31.12.2011	Automotive 31.12.2010	Motorcycles 31.12.2011	Motorcycles 31.12.2010
Segment assets	**10,016**	9,665	**551**	402

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Financial Services		Other Entities		Reconciliation to Group figures		Group		
2011	2010	**2011**	2010	**2011**	2010*	**2011**	2010*	
15,709	14,964	**1**	1	**–**	–	**68,821**	60,477	External revenues
1,801	1,653	**4**	3	**–13,359**	–11,585	**–**	–	Inter-segment revenues
17,510	**16,617**	**5**	**4**	**–13,359**	**–11,585**	**68,821**	**60,477**	**Total revenues**
1,790	1,214	**–168**	45	**–1,761**	–832	**7,383**	4,853	Segment result
13,493	11,736	**1**	–	**–2,366**	–1,546	**14,944**	13,615	Capital expenditure on non-current assets
4,972	4,845	**–**	–	**–1,186**	–1,011	**7,416**	7,500	Depreciation and amortisation on non-current assets

Financial Services		Other Entities		Reconciliation to Group figures		Group		
31.12.2011	31.12.2010	**31.12.2011**	31.12.2010	**31.12.2011**	31.12.2010*	**31.12.2011**	31.12.2010*	
7,169	5,216	**47,875**	44,985	**57,818**	49,896	**123,429**	110,164	Segment assets

Interest and similar income of the Financial Services segment totalling €5 million (2010: €4 million) are included in segment results. Interest and similar expenses of the Financial Services segment amounted to €15 million (2010: €7 million). The Other Entities segment result includes interest and similar income amounting to €1,739 million (2010: €1,984 million) and interest and similar expenses amounting to €1,841 million (2010: €2,058 million).

Also included in the Other Entities segment result is the negative result from equity accounted investments amounting to €2 million in 2011 (2010: €– million) and impairment losses on other investments amounting to €8 million (2010: €– million).

Segment assets of the Other Entities segment assets at 31 December 2011 included investments accounted for using the equity method amounting to €21 million (2010: €23 million).

The information disclosed for capital expenditure and depreciation and amortisation relates to property, plant and equipment, intangible assets and leased products.

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

in € million	2011	2010*
Reconciliation of segment result		
Total for reportable segments	**9,144**	5,685
Financial result of Automotive segment and Motorcycles segment	**–658**	–474
Elimination of inter-segment items	**–1,103**	–358
Group profit before tax	**7,383**	**4,853**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	**17,310**	15,161
Elimination of inter-segment items	**–2,366**	–1,546
Total Group capital expenditure on non-current assets	**14,944**	**13,615**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	**8,602**	8,511
Elimination of inter-segment items	**–1,186**	–1,011
Total Group depreciation and amortisation on non-current assets	**7,416**	**7,500**

in € million	31.12.2011	31.12.2010*
Reconciliation of segment assets		
Total for reportable segments	**65,611**	60,268
Non-operating assets – Other Entities segment	**6,045**	5,414
Operating liabilities – Financial Services segment	**75,540**	68,487
Interest-bearing assets – Automotive and Motorcycles segments	**32,584**	30,300
Liabilities of Automotive and Motorcycles segments not subject to interest	**21,226**	18,971
Elimination of inter-segment items	**–77,577**	–73,276
Total Group assets	**123,429**	**110,164**

* Adjusted for effect of change in accounting policy for leased products as described in note 8

In the case of information by geographical region, external sales are based on the location of the customer's registered office. Revenues with major customers were not material overall. The information disclosed for non-current assets relates to property, plant and equipment, intangible assets and leased products. The reconciling item disclosed for non-current assets relates to leased products.

Information by region

in € million	External revenues 2011	External revenues 2010	Non-current assets 2011	Non-current assets 2010*
Germany	**12,859**	11,207	**21,519**	21,257
USA	**11,516**	11,638	**10,073**	9,380
China	**11,591**	8,444	**10**	9
Rest of Europe	**20,956**	18,581	**9,066**	4,784
Rest of the Americas	**2,771**	2,530	**1,345**	1,273
Other	**9,128**	8,077	**961**	805
Eliminations	**–**	–	**–2,939**	–1,962
Group	**68,821**	**60,477**	**40,035**	**35,546**

* Adjusted for effect of change in accounting policy for leased products as described in note 8

Munich, 16 February 2012

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

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Frank-Peter Arndt

Dr.-Ing. Herbert Diess

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Harald Krüger

Dr. Ian Robertson (HonDSc)

Statement pursuant to § 37y No. 1 of the Securities Trading Act (WpHG) in conjunction with § 297 (2) sentence 3 and § 315 (1) sentence 6 of the German Commercial Code (HGB)

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Munich, 16 February 2012

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer

Frank-Peter Arndt — Dr.-Ing. Herbert Diess

Dr.-Ing. Klaus Draeger — Dr. Friedrich Eichiner

Harald Krüger — Dr. Ian Robertson (HonDSc)

BMW Group
Auditor's Report

We have audited the consolidated financial statements prepared by Bayerische Motoren Werke Aktiengesellschaft, comprising the income statement for group and statement of comprehensive income for group, the balance sheet for group, cash flow statement for group, group statement of changes in equity and the notes to the group financial statements and its report on the position of the Company and the Group for the business year from 1 January to 31 December 2011. The preparation of the consolidated financial statements and Group Management Report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a (1) HGB (Handelsgesetzbuch "German Commercial Code") are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Management Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and in the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements and Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 22 February 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Schindler	Huber-Straßer
Wirtschaftsprüfer	Wirtschaftsprüferin

Corporate governance – acting in accordance with the principles of responsible management aimed at increasing the value of the business on a sustainable basis – is a comprehensive issue for the BMW Group embracing all areas of the enterprise. Corporate culture within the BMW Group is founded on transparent reporting and internal communication, a policy of corporate governance aimed at the interests of stakeholders, fair and open dealings between the Board of Management, the Supervisory Board and employees and compliance with the law. The Board of Management reports in this declaration, also on behalf of the Supervisory Board, on important aspects of corporate governance pursuant to § 289 a HGB and section 3.10 of the German Corporate Governance Code (GCGC).

Information on the Company's Governing Constitution
The designation "BMW Group" comprises Bayerische Motoren Werke Aktiengesellschaft (BMW AG) and its group entities. BMW AG is a stock corporation (Aktiengesellschaft) based on the German Stock Corporation Act (Aktiengesetz). It has three representative bodies: the Annual General Meeting, the Supervisory Board and the Board of Management. The duties and authorities of those bodies derive from the Stock Corporation Act and the Articles of Incorporation of BMW AG. Shareholders, as the owners of the business, exercise their rights at the Annual General Meeting. The Annual General Meeting decides in particular on the utilisation of unappropriated profit, the ratification of the acts of the members of the Board of Management and of the Supervisory Board, the appointment of the external auditor, changes to the Articles of Incorporation, specified capital measures and elects the shareholders' representatives to the Supervisory Board. The Board of Management manages the enterprise under its own responsibility. Within this framework, it is monitored and advised by the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and can, at any time, revoke an appointment if there is an important reason. The Board of Management keeps the Supervisory Board informed of all significant matters regularly, promptly and comprehensively, following the principles of conscientious and faithful accountability and in accordance with prevailing law and the reporting duties allocated to it by the Supervisory Board. The Board of Management requires the approval of the Supervisory Board for certain major transactions. The Supervisory Board is not, however, authorised to undertake management measures itself.

In accordance with the requirements of the German Co-determination Act for companies that generally employ more than 20,000 people, the Supervisory Board of BMW AG is required to comprise ten shareholder representatives elected at the Annual General Meeting (Supervisory Board members representing equity or shareholders) and ten employees elected in accordance with the provisions of the Co-determination Act (Supervisory Board members representing employees). The ten Supervisory Board members representing employees comprise seven Company employees, including one senior staff representative, and three members elected following nomination by unions.

The close interaction between Board of Management and Supervisory Board in the interests of the enterprise as described above is also known as a "two-tier board structure".

The composition of the Board of Management and Supervisory Board and of sub-committees set up by the Supervisory Board is disclosed on page 154 et seq. of the Annual Report. Further information on work procedures of the Board of Management and Supervisory Board can be found on page 158 et seq.

Declaration of Compliance and the BMW Group Corporate Governance Code
Management and supervisory boards of companies listed in Germany are required by law (§ 161 AktG) to report once a year on whether the officially published and relevant recommendations issued by the "German Government Corporate Governance Code Commission", as valid at the date of the declaration, have been, and are being, complied with. Companies affected are also required to state which of the recommendations of the Code have not been or are not being applied, stating the reason or reasons.

In the past the Board of Management and the Supervisory Board have adopted the Group's own Corporate Governance Code based on the GCGC in order to provide interested parties with a comprehensive and standalone document covering the corporate governance practices applied by the BMW Group. A coordinator responsible for all corporate governance issues reports directly and on a regular basis to the Board of Management and Supervisory Board.

The Corporate Governance Code for the BMW Group, together with the Declaration of Compliance, Articles of Incorporation and other information, can be viewed and/or downloaded from the BMW Group's website at www.bmwgroup.com/ir under the menu items "Corporate Facts" and "Corporate Governance".

The full text of the declaration is also provided on page 153 of this Annual Report.

Declaration of the Board of Management and of the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft with respect to the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to § 161 German Stock Corporation Act

The Board of Management and Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft ("BMW AG") declare the following with respect to the recommendations of the "Government Commission on the German Corporate Governance Code":

Since issuance of the last Declaration in December 2010, BMW AG has complied with all of the recommendations published on 2 July 2010 in the electronic Federal Gazette (Code version dated 26 May 2010) and will comply with these recommendations in the future without exception.

Munich, December 2011

Bayerische Motoren Werke
Aktiengesellschaft

On behalf of the Supervisory Board	On behalf of the Board of Management
Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg Chairman	Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer Chairman

Members of the Board of Management

Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer (born 1956)
Chairman

Mandates
— Henkel AG & Co. KGaA (since 11. 04. 2011)

Frank-Peter Arndt (born 1956)
Production

Mandates
— BMW Motoren GmbH (Chairman)
— TÜV Süd AG
— BMW (South Africa) (Pty) Ltd. (Chairman)
— Leipziger Messe GmbH

Dr.-Ing. Herbert Diess (born 1958)
Purchasing and Supplier Network

Dr.-Ing. Klaus Draeger (born 1956)
Development

Dr. Friedrich Eichiner (born 1955)
Finance

Mandates
— Allianz Deutschland AG
— BMW Brilliance Automotive Ltd. (Deputy Chairman)

Harald Krüger (born 1965)
Human Resources, Industrial Relations Director

Dr. Ian Robertson (HonDSc) (born 1958)
Sales and Marketing

Mandates
— Rolls-Royce Motor Cars Limited (Chairman)

General Counsel:
Dr. Dieter Löchelt

— Membership of other statutory supervisory boards
— Membership of equivalent national or foreign boards of business enterprises

Members of the Supervisory Board

Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg (born 1943)
Chairman
Former Chairman of the Board of Management of BMW AG

Chairman of the Presiding Board, Personnel Committee and Nomination Committee; member of Audit Committee and the Mediation Committee

Mandates
— Bertelsmann AG (Deputy Chairman since 07. 06. 2011)
— FESTO AG (Chairman since 26. 03. 2011)
— SAP AG
— ZF Friedrichshafen AG (until 31. 12. 2011)
— Deere & Company

Manfred Schoch[1] (born 1955)
Deputy Chairman
Chairman of the European and General Works Council
Industrial Engineer

Member of the Presiding Board, Personnel Committee, Audit Committee and Mediation Committee

Stefan Quandt (born 1966)
Deputy Chairman
Entrepreneur

Member of the Presiding Board, Personnel Committee, Audit Committee, Nomination Committee and Mediation Committee

Mandates
— DELTON AG (Chairman)
— Karlsruher Institut für Technologie (KIT) (until 30. 09. 2011)
— AQTON SE (Chairman)
— DataCard Corp.

Stefan Schmid[1] (born 1965)
Deputy Chairman
Chairman of the Works Council, Dingolfing

Member of the Presiding Board, Personnel Committee, Audit Committee and Mediation Committee

Dr. jur. Karl-Ludwig Kley (born 1951)
Deputy Chairman
Chairman of the Executive Management of Merck KGaA

Chairman of the Audit Committee and Independent Finance Expert; member of the Presiding Board, Personnel Committee and Nomination Committee

Mandates
— Bertelsmann AG
— 1. FC Köln GmbH & Co. KGaA (Chairman)

Bertin Eichler[2] (born 1952)
Executive Member of the Executive Board of IG Metall

Mandates
— BGAG Beteiligungsgesellschaft der Gewerkschaften GmbH (Chairman)
— ThyssenKrupp AG (Deputy Chairman)

[1] Employee representatives (company employees).
[2] Employee representatives (union representatives).
[3] Employee representative (member of senior management).
— Membership of other statutory supervisory boards
— Membership of equivalent national or foreign boards of business enterprises

Franz Haniel (born 1955)
Engineer, MBA

Mandates

— DELTON AG (Deputy Chairman)
— Franz Haniel & Cie. GmbH (Chairman)
— Heraeus Holding GmbH
— Metro AG (Chairman) (since 18.11.2011)
— secunet Security Networks AG
— Giesecke & Devrient GmbH
— TBG Limited

Prof. Dr. rer. nat. Dr. h. c. Reinhard Hüttl (born 1957)
Chairman of the Executive Board of Helmholtz-Zentrum Potsdam Deutsches GeoForschungsZentrum – GFZ
University professor

Prof. Dr. rer. nat. Dr.-Ing. E. h. Henning Kagermann (born 1947)
President of acatech – Deutsche Akademie der Technikwissenschaften e. V.

Mandates

— Deutsche Bank AG
— Deutsche Post AG
— Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München
— Nokia Corporation
— Wipro Limited

Susanne Klatten (born 1962)
Entrepreneur

Mandates

— ALTANA AG (Deputy Chairman)
— SGL Carbon SE
— UnternehmerTUM GmbH (Chairman)

Prof. Dr. rer. pol. Renate Köcher (born 1952)
Director of Institut für Demoskopie Allensbach Gesellschaft zum Studium der öffentlichen Meinung mbH

Mandates

— Allianz SE
— Infineon Technologies AG
— MAN SE (until 27.06.2011)

Dr. h. c. Robert W. Lane (born 1949)
Former Chairman and Chief Executive Officer of Deere & Company

Mandates

— General Electric Company
— Northern Trust Corporation
— Verizon Communications Inc.

Horst Lischka[2] (born 1963)
General Representative of IG Metall Munich

Mandates

— KraussMaffei AG
— MAN Truck & Bus AG

Willibald Löw[1] (born 1956)
Chairman of the Works Council, Landshut

[1] Employee representatives (company employees).
[2] Employee representatives (union representatives).
[3] Employee representative (member of senior management).
— Membership of other statutory supervisory boards
— Membership of equivalent national or foreign boards of business enterprises

Wolfgang Mayrhuber (born 1947)
Former Chairman of the Board of Management of Deutsche Lufthansa AG

Mandates

- Infineon Technologies AG (Chairman) (since 17.02.2011)
- Lufthansa Technik AG
- Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München
- Austrian Airlines AG
- HEICO Corporation
- SN Airholding SA/NV (until 26.10.2011)
- UBS AG

Franz Oberländer[1] (born 1952)
Member of the Works Council, Munich

Anton Ruf[3] (born 1953)
Head of Development "Small Model Series"

Maria Schmidt[1] (born 1954)
Member of the Works Council, Dingolfing

Jürgen Wechsler[2] (born 1955)
(since 10.02.2011)
Regional Head of IG Metall Bavaria

Mandates

- Schaeffler AG (Deputy Chairman)

Werner Zierer[1] (born 1959)
Chairman of the Works Council, Regensburg

Composition and work procedures of the Board of Management of BMW AG and its committees

A summary of the seven members of the Board of Management and their areas of responsibility (portfolios) is shown on page 154.

The Board of Management governs the enterprise under its own responsibility, acting in the interests of the BMW Group with the aim of achieving sustainable growth in value. The interests of shareholders, employees and other stakeholders are also taken into account in the pursuit of this aim.

The Board of Management determines the strategic orientation of the enterprise, agrees upon it with the Supervisory Board and ensures its implementation. The Board of Management is responsible for ensuring that all provisions of law and internal regulations are complied with. Further information relating to compliance within the BMW Group can be found on page 175 et seq. The Board of Management is also responsible for ensuring that appropriate risk management and risk controlling systems are in place throughout the Group.

During their period of employment for BMW AG, members of the Board of Management are bound by a comprehensive non-competition clause. They are required to act in the enterprise's best interests and may not pursue personal interests in their decisions or take advantage of business opportunities intended for the enterprise. They may only undertake ancillary activities, in particular supervisory board mandates outside the BMW Group, with the approval of the Supervisory Board's Personnel Committee. Each member of the Board of Management of BMW AG is obliged to disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Board of Management accordingly.

Following the appointment of a new member to the Board of Management, the BMW Corporate Governance Officer informs the new member of the framework conditions under which the board member's duties are to be carried out – in particular those enshrined in the BMW Group's Corporate Governance Code – as well as the duty to cooperate when a transaction or event triggers reporting requirements or requires the approval of the Supervisory Board.

The Board of Management consults and takes decisions as a collegiate body in meetings of the Board of Management, the Sustainability Board, the Operations Committee and the Committee for Executive Management Matters. At its meetings, the Board of Management defines the overall framework for business strategies and the use of resources, takes decisions regarding the implementation of strategies and deals with issues of particular importance to the BMW Group. The full board also takes decisions at a basic policy level relating to the Group's automobile product strategies and product projects inasmuch as these are relevant for all brands. The Board of Management and its committees may, as required and depending on the subject matters being discussed, invite non-voting advisers to participate at meetings.

Terms of reference approved by the Board of Management contain a planned allocation of divisional responsibilities between the individual board members. These terms of reference also incorporate the principle that the full Board of Management bears joint responsibility for all matters of particular importance and scope. In addition, members of the Board of Management manage the relevant portfolio of duties under their responsibility, whereby case-by-case rules can be put in place for cross-divisional projects. Board members continually provide the Chairman of the Board of Management with all information regarding major transactions and developments within their area of responsibility. The Chairman of the Board of Management coordinates cross-divisional matters with the overall targets and plans of the BMW Group, involving other board members to the extent that divisions within their area of responsibility are affected.

The Board of Management takes its decisions at meetings generally held on a weekly basis which are convened, coordinated and headed by the Chairman of the Board of Management. At the request of the Chairman, decisions can also be taken outside of board meetings if none of the board members object to this procedure. A meeting is quorate if all Board of Management members are invited to the meeting in good time. Members unable to attend any meeting are entitled to vote in writing, by fax or by telephone. Votes cast by phone must be subsequently confirmed in writing. Except in urgent cases, matters relating to a division for which the responsible board member is not present will only be discussed and decided upon with that member's consent.

Unless stipulated otherwise by law or in BMW AG's statutes, the Board of Management makes decisions on the basis of a simple majority of votes cast at meetings. Outside of board meetings, decisions are taken on the basis of a simple majority of board members. In the event of a tied vote, the Chairman of the Board of Management has the casting vote. Any changes to the board's terms of reference must be passed unanimously. A board meeting may only be held if more than half of the board members are present.

In the event that the Chairman of the Board of Management is not present or is unable to attend a meeting, the Member of the Board responsible for Finances will represent him.

Minutes are taken of all meetings and the Board of Management's resolutions and signed by the Chairman. Decisions taken by the Board of Management are binding for all employees.

The rules relating to meetings and resolutions taken by the full Board of Management are also applicable for its committees.

Members of the Board of Management not represented in a committee are provided with the agendas and minutes of committee meetings. Committee matters are dealt with in full board meetings if the committee considers it necessary or at the request of a member of the Board of Management.

The secretariat for Board of Management matters assists the Chairman and other board members with the preparation and follow-up work connected with board meetings.

At meetings of the Operations Committee (generally held twice a month), decisions are reached in connection with automobile product projects, based on the strategic orientation and decision framework stipulated at Board of Management meetings. The Operations Committee comprises the members of the Board of Management responsible for Development (Dr.-Ing. Klaus Draeger, who also chairs the meetings), Purchases and Supplier Network (Dr.-Ing. Herbert Diess), Production (Frank-Peter Arndt), and Sales and Marketing (Dr. Ian Robertson [HonDSc]). If the committee chairman is not present or unable to attend a meeting, the Member of the Board responsible for Production represents him. Resolutions taken at meetings of the Operations Committee are made online.

The full board usually convenes twice a year in its function as Sustainability Board in order to define strategy with regard to sustainability and decide upon measures to implement that strategy. The Head of Group Communication and the Group Representative for Sustainability and Environmental Protection participate in these meetings in an advisory capacity.

The Board's Committee for Executive Management Matters deals with enterprise-wide issues affecting executive managers of the BMW Group, either in their entirety or individually (such as the executive management structure, potential candidates for executive management, nominations for or promotions to senior management positions). This committee has, on the one hand, an advisory and preparatory role (e.g. making suggestions for promotions to the two remuneration groups below board level and preparing decisions to be taken at board meetings with regard to human resources principles with the emphasis on executive management issues) and a decision-taking function on the other (e.g. deciding on appointments to senior management positions and promotions to higher remuneration groups or the wording of human resources principles decided on by the full board). The Committee has two members who are entitled to vote at meetings, namely the Chairman of the Board of Management, Dr.-Ing. Dr.-Ing. E. h. Norbert Reithofer (who also chairs the meetings) and the board member responsible for Human Resources, Harald Krüger. The Head of Human Resources, Personnel Network and Human Resources International and the Head of Human Resources Senior Management also participate in an advisory function. At the request of the Chairman, resolutions may also be passed outside of committee meetings by casting votes in writing, by fax or by telephone if the other member entitled to vote does not object immediately. As a general rule, between five and ten meetings are held each year.

The Board of Management is represented by its Chairman in its dealings with the Supervisory Board. The Chairman of the Board of Management maintains regular contact with the Chairman of the Supervisory Board and keeps him informed of all important matters. The Supervisory Board has passed a resolution specifying the information and reporting duties of the Board of Management. As a general rule, in the case of reports required by dint of law, the Board of Management submits its reports to the Supervisory Board in writing. To the extent possible, documents required as a basis for taking decisions are sent to the members of the Supervisory Board in good time before the relevant meeting. Regarding transactions of fundamental importance, the Supervisory Board has stipulated specific transactions which require the approval of the Supervisory Board. Whenever necessary, the Chairman of the Board of Management obtains the approval of the Supervisory Board and ensures that reporting duties to the Supervisory Board are complied with. In order to fulfil these tasks, the Chairman is supported by all members of the Board of Management. The fundamental principle followed when reporting to the Supervisory Board is that the latter should be kept informed regularly, without delay and comprehensively of all significant matters relating to planning, business performance, risk exposures, risk management and compliance, as well as any major variances between actual and budgeted figures.

Composition and work procedures of the Supervisory Board of BMW AG and its committees

Overviews of members of the Supervisory Board, the Presiding Board and committees can be found on page 155 et seq. (members of the Supervisory Board and their mandates) and on page 163 (Supervisory Board committees, meetings).

BMW AG's Supervisory Board, comprising ten shareholder representatives (elected by the Annual General Meeting) and ten employee representatives (elected by employees in accordance with the German Co-determination Act), has the task of advising and supervising the Board of Management in its governance of the BMW Group. It is involved in all decisions of fundamental importance for the BMW Group. The Supervisory Board appoints the members of the Board of Management and decides upon the level of compensation they are to receive. The Supervisory Board can revoke appointments for important reasons.

Together with the Personnel Committee and the Board of Management, the Supervisory Board ensures that long-term successor planning is in place. In their assessment of candidates for a post on the Board of Management, the underlying criteria applied by the Supervisory Board for determining the suitability of candidates are their expertise in the relevant area of board responsibility, outstanding leadership qualities, a proven track record and a profound understanding of the BMW Group's business. The Supervisory Board takes diversity into account when assessing, on balance, which individual will best compliment the Board of Management as a representative body of the company. "Diversity" in the context of the decision process is understood by the Supervisory Board to encompass different, complementary individual profiles, work and life experiences, at both a national and international level, as well as appropriate representation of both genders. When making new appointments, the aim of the Supervisory Board in the medium and long term is to achieve an appropriate representation of women on the Board of Management of BMW AG. The Board of Management reports accordingly to the Personnel Committee – at regular intervals and, on request, prior to personnel decisions being taken by the Supervisory Board – on the proportion of, and changes in, management positions held by women, in particular below senior executive level and at uppermost management level. When actually selecting an individual for a post on the Management Board, the Supervisory Board decides in the best interests of the company and after taking account of all relevant circumstances.

The Supervisory Board holds a minimum of two meetings per calendar year. Normally, five plenary meetings are held per calendar year, as was the case in 2011. One meeting each year is planned to cover a number of days and is used, amongst other things, to enable an in-depth exchange on strategic and technological matters. The main emphases of meetings in 2011 are described in the Report of the Supervisory Board (page 7 et seq.).

In line with the suggestion contained in the German Corporate Governance Code, the shareholder representatives and employee representatives prepare the Supervisory Board meetings separately and, if necessary, together with members of the Board of Management.

The Chairman of the Supervisory Board coordinates work within the Supervisory Board, chairs its meetings, handles the external affairs of the Supervisory Board and represents it in its dealings with the Board of Management.

The Supervisory Board is quorate if all members have been invited to the meeting and at least half of its members participate in the vote on a particular resolution. A resolution relating to an agenda item not included in the invitation is only valid if none of the members of the Supervisory Board who were not present at the meeting object to the resolution and a minimum of two-thirds of the members are present.

As a basic rule, resolutions are passed by the Supervisory Board by simple majority. The German Co-determination Act contains specific requirements with regard to majority voting and technical procedures, particularly with regard to the appointment and revocation of appointment of management board members and the election of a supervisory board chairman or deputy chairman. In the event of a tied vote in the Supervisory Board, the Chairman of the Supervisory Board has two votes in a renewed vote, even if this also results in a tied vote.

In practice, resolutions are taken by the Supervisory Board and its committees at the relevant meetings. A Supervisory Board member who is not present at a meeting can have his/her vote cast by another Supervisory Board member if an appropriate request has been made in writing, by fax or in electronic form. This rule also applies to the casting of the second vote by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board can also accept the retrospective casting of votes by any members not present at a meeting if this is done within the time limit previously set. In special cases, resolutions may also be taken outside of meetings, i.e. in writing, by fax or by electronic means. Minutes are taken of each meeting and any resolutions made are signed by the Chairman of the Supervisory Board.

After its meetings, the Supervisory Board is generally provided information on new vehicle models in the form of a short presentation.

Following the election of a new Supervisory Board member, the BMW Corporate Governance Officer informs the new member of the principal issues affecting his or her duties – in particular those enshrined in the BMW Group Corporate Governance Code – including the duty to cooperate when a transaction or event triggers reporting requirements or is subject to the approval of the Supervisory Board. New Supervisory Board members are also given the opportunity to become better acquainted with the business outside of Supervisory Board meetings by means of an information programme.

All members of the Supervisory Board of BMW AG are required to ensure that they have sufficient time to perform their mandate. If members of the Supervisory Board of BMW AG are also members of the management board of a listed company, they may not accept more than a total of three mandates on non-BMW Group supervisory boards of listed companies or in other bodies with comparable requirements.

The Supervisory Board examines the efficiency of its activities on a regular basis. Joint discussions are also held at plenum meetings, prepared on the basis of a questionnaire previously devised by and distributed to the members of the Supervisory Board. The Chairman of the Supervisory Board is open to suggestions for improvement at all times.

Each member of the Supervisory Board of BMW AG is bound to act in the enterprise's best interests. Members of the Supervisory Board may not pursue personal interests in their decisions or take advantage of business opportunities intended for the benefit of the enterprise.

Members of the Supervisory Board are obliged to inform the full Supervisory Board of any conflicts of interest which may result from a consultant or directorship function with clients, suppliers, lenders or other business partners, enabling the Supervisory Board to report to the shareholders at the Annual General Meeting on how it has dealt with such issues. Material conflicts of interest and those which are not merely temporary in nature result in the termination of the mandate of the relevant Supervisory Board member.

With regard to nominations for the election of members of the Supervisory Board, care is taken that the Supervisory Board in its entirety has the required knowledge, skills and expert experience to perform its tasks in a proper manner.

The Supervisory Board has set out specific targets for its own composition. Further information about these objectives and their implementation status can be found on page 164.

The members of the Supervisory Board are responsible for undertaking appropriate basic and further training measures such as these may be necessary to carry out the tasks assigned to them. The Company provides appropriate assistance to members of the Supervisory Board in this respect.

The ability of the Supervisory Board to supervise and advise the Board of Management independently is also assisted by the fact that the Supervisory Board of BMW AG is required, based on its own assessment, to have a sufficient number of independent members. Prof. Dr.-Ing. Dr. h. c. Dr.-Ing. E. h. Joachim Milberg is the only person on the Supervisory Board to have previously served on the Board of Management, of which he ceased to be a member in 2002. Supervisory Board members do not exercise directorships or similar positions or undertake advisory tasks for important competitors of the BMW Group.

Taking into account the specific circumstances of the BMW Group and the number of board members, the Supervisory Board has set up a Presiding Board and four committees, namely the Personnel Committee, the Audit Committee, the Nomination Committee and the Mediation Committee (see overview on page 163). Such committees serve to raise the efficiency of the Supervisory Board's work and facilitate the handling of complex issues. The establishment and function of a mediation committee is prescribed by law. The person chairing a committee reports in detail on its work at each plenum meeting.

The composition of the Presiding Board and the various committees is based on legal requirements, BMW AG's Articles of Incorporation, terms of reference and corporate governance principles. The expertise and technical skills of its members are also taken into account.

According to the relevant terms of reference, the Chairman of the Supervisory Board is, in this capacity, automatically a member of the Presiding Board, the Personnel Committee and the Nomination Committee, and also chairs these committees.

The number of meetings held by the Presiding Board and the committees depends on current requirements. The Presiding Board, the Personnel Committee and the Audit Committee normally hold several meetings in the course of the year (further information regarding the number of meetings held in 2011 can be found on page 163 and in the Report of the Supervisory Board, page 7 et seq.).

In line with the terms of reference for the activities of the plenum, the Supervisory Board has also set terms of reference for the Presiding Board and the various committees. The committees are only quorate if all members are present. Resolutions taken by the committees are passed by simple majority unless stipulated otherwise by law. Minutes are also taken at the meetings and for the resolutions of the committees and the Presiding Board, and signed by the person chairing the particular meeting. This person also represents the committee in any dealings it may have with the Board of Management or third parties.

Members of the Supervisory Board may not delegate their duties. The Supervisory Board, the Presiding Board and committees may call on experts and other suitably informed persons to attend meetings to give advice on specific matters.

The Supervisory Board, the Presiding Board and the committees also meet without the Board of Management if necessary.

BMW AG ensures that the Supervisory Board and its committees are sufficiently equipped to carry out their duties. This includes the services provided by a centralised secretariat to support the chairmen in coordinating the work of the Supervisory Board.

In accordance with the relevant terms of reference, the Presiding Board comprises the Chairman of the Supervisory Board and board deputies. The Presiding Board prepares Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee. This includes, for example, preparing the annual Declaration of Compliance with the German Corporate Governance Code, and the Supervisory Board's efficiency examination.

The Personnel Committee prepares the decisions of the Supervisory Board with regard to the appointment and revocation of appointment of members of the Board of Management and, together with the full Supervisory Board and the Board of Management, ensures that long-term successor planning is in place. For information regarding the criteria applied, see page 164. The Personnel Committee also prepares the decisions of the Supervisory Board with regard to the Board of Management's compensation and the Supervisory Board's regular review of the Board of Management's compensation system. In conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management, the Personnel Committee is responsible for drawing up, amending and revoking service/employment contracts or, when necessary, other relevant contracts with members of the Board of Management. In specified cases, the Personnel Committee also has the authority to give the necessary approval for a particular transaction (instead of the Supervisory Board). This includes loans to members of the Board of Management or Supervisory Board, specified contracts with members of the Supervisory Board (in each case taking account of the consequences of related-party transactions), as well as other activities of members of the Board of Management, including the acceptance of non-BMW Group supervisory mandates.

The Audit Committee deals in particular with issues relating to the supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, internal audit arrangements and compliance. It also monitors the external audit, auditor independence and any additional work performed by the external auditor. It prepares the proposal for the election of the external auditor at the Annual General Meeting, makes a recommendation regarding the election of the external auditor, issues the audit engagement letter and agrees on points of emphasis as well as the auditor's fee. The Audit Committee prepares the Supervisory Board's resolution relating to the Company and Group Financial Statements and discusses interim reports with the Board of Management before publication. The Audit Committee also decides on the Supervisory Board's agreement to use the Authorised Capital 2009 (Article 4 no. 5 of the Articles of Incorporation) and on amendments to the Articles of Incorporation which only affect its wording.

In line with the recommendations of the German Corporate Governance Code, the Chairman of the Audit Committee is independent and not a former Chairman of the Board of Management and has specific know-how and experience in applying financial reporting standards and internal control procedures. He also fulfils the requirements of being an independent financial expert as defined by §100 (5) and §107 (4) AktG.

The Nomination Committee is charged with the task of finding suitable candidates for election to the Supervisory Board (as shareholder representatives) and for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting. In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.

The establishment and composition of a mediation committee are required by the German Co-determination Act. The Mediation Committee has the task of making proposals to the Supervisory Board if a resolution for the appointment of a member of the Board of Management has not been carried by the necessary two-thirds majority of members' votes. In accordance with statutory requirements, the Mediation Committee comprises the Chairman and the Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.

Overview of Supervisory Board Committees, Meetings

Principal duties, basis for activities	Members	Number of meetings 2011	Average attendance
Presiding Board			
– preparation of Supervisory Board meetings to the extent that the subject matter to be discussed does not fall within the remit of a committee – activities based on terms of reference	Joachim Milberg[1] Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley	4 plus 1 telephone conference	96 %
Personnel Committee			
– preparation of decisions relating to the appointment and revocation of appointment of members of the Board of Management, the compensation and the regular review of the Board of Management's compensation system – conclusion, amendment and revocation of employment contracts (in conjunction with the resolutions taken by the Supervisory Board regarding the compensation of the Board of Management) and other contracts with members of the Board of Management – decisions relating to the approval of ancillary activities of Board of Management members, including acceptance of non-BMW Group supervisory mandates as well as the approval of transactions requiring Supervisory Board approval by dint of law (e.g. loans to Board of Management or Supervisory Board members) – set up in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Joachim Milberg[1] Manfred Schoch Stefan Quandt Stefan Schmid Karl-Ludwig Kley	3	93 %
Audit Committee			
– supervision of the financial reporting process, effectiveness of the internal control system, risk management system, internal audit arrangements and compliance – supervision of external audit, in particular auditor independence and additional work performed by external auditor – preparation of proposals for election of external auditor at Annual General Meeting, engagement of external auditor and compliance of audit engagement, determination of areas of audit emphasis and fee agreements with external auditor – preparation of Supervisory Board's resolution on Company and Group Financial Statements – discussion of interim reports with Board of Management prior to publication – decision on approval for utilisation of Authorised Capital 2009 – amendments to Articles of Incorporation only affecting wording – establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Karl-Ludwig Kley[1, 2] Joachim Milberg Manfred Schoch Stefan Quandt Stefan Schmid	3 plus 4 telephone conferences	100 %
Nomination Committee			
– identification of suitable candidates (male / female) as shareholder representatives on the Supervisory Board, to be put forward for inclusion in the Supervisory Board's proposals for election at the Annual General Meeting – establishment in accordance with the recommendation contained in the German Corporate Governance Code, activities based on terms of reference	Joachim Milberg[1] Stefan Quandt Karl-Ludwig Kley (In line with the recommendations of the German Corporate Governance Code, the Nomination Committee comprises only shareholder representatives.)	–	–
Mediation Committee			
– proposal to Supervisory Board if resolution for appointment of Board of Management member has not been carried by the necessary two-thirds majority of Supervisory Board members' votes – committee required by law	Joachim Milberg Manfred Schoch Stefan Quandt Stefan Schmid (In accordance with statutory requirements, the Mediation Committee comprises the Chairman and Deputy Chairman of the Supervisory Board and one member each selected by shareholder representatives and employee representatives.)	–	–

[1] Chair
[2] Independent financial expert within the meaning of § 100 (5) AktG and § 107 (4) AktG

Composition of the Supervisory Board

The Supervisory Board must be composed in such a way that its members as a group possess the knowledge, skills and experience required to properly complete its tasks. To this end, a resolution has been passed by BMW AG's Supervisory Board specifying the following concrete objectives regarding its composition:

- At least four of the members of the Supervisory Board should have international experience or specialist knowledge with regard to one or more of the non-German markets important to the Company.
- If possible, the Supervisory Board should include seven members who have acquired in-depth knowledge and experience from within the Company. The Supervisory Board should not, however, include more than two former members of the Board of Management.
- At least three of the shareholder representatives in the Supervisory Board should be entrepreneurs or persons who have already gained experience in the management or supervision of another medium-sized or large company.
- Ideally, three members of the Supervisory Board should be figures from the worlds of business, science or research who have gained experience in areas relevant to the BMW Group – e.g. chemistry, energy supply, information technology, or who have acquired specialist knowledge in subjects relevant for the future of the BMW Group e.g. customer requirements, mobility, resources and sustainability.
- When seeking suitably qualified individuals for the Supervisory Board whose specialist skills and leadership qualities are most likely to strengthen the Board as a whole, consideration should also be given to diversity. When preparing nominations, the extent to which the work of the Supervisory Board would benefit from diversified professional and personal backgrounds (including international aspects) and from an appropriate representation of both genders should also be taken into account. In view of the proportion of women in the workforce of BMW AG (31 December 2011: 13.5 %), the Supervisory Board is of the opinion that the current proportion of three female members out of a total of 20 members (15 %) is satisfactory as far as gender mix is concerned, but that an increase would be desirable. If possible, the selection process in the near future will therefore be carried out with the aim of having four female members (20 %) by the Annual General Meeting in 2015.
- The Supervisory Board should have at least seven independent members, two of whom must be independent individuals with expert knowledge of accounting or auditing.
- No persons carrying out directorship functions or advisory tasks for important competitors of the Company may belong to the Supervisory Board. In compliance with prevailing legislation, the members of the Supervisory Board will strive to ensure that no persons will be nominated for election with whom a serious conflict of interest could arise (other than temporarily) due to other activities and functions carried out by them outside the BMW Group; this includes in particular advisory activities or directorships with customers, suppliers, creditors or other business partners.
- As a general rule, the age limit for membership of the Supervisory Board should be set at 70 years. In exceptional cases, members may be allowed to remain on the Board up until the Annual General Meeting following their 73rd birthday in order to fulfil legal requirements or to facilitate smooth succession in the case of persons with key roles or specialist qualifications.

The time schedule set by the Supervisory Board for achieving the above-mentioned composition targets is the Annual General Meeting in 2015, by which time elections will have taken place for all positions on the Supervisory Board.

Future proposals for nomination made by the Supervisory Board at the Annual General Meeting – insofar as they apply to shareholder Supervisory Board members – should take account of these objectives in such a way that they can be achieved with the support of the appropriate resolutions at the Annual General Meeting. The Annual General Meeting is not bound by nominations for election proposed by the Supervisory Board. The freedom of employees to vote for the employee members of the Supervisory Board is also protected (for information on the legal conditions relating to the composition of the Supervisory Board please refer to page 164). Under the procedural rules stipulated by the German Co-Determination Act, the Supervisory Board does not have the right to nominate employee representatives for election. The objectives which the Supervisory Board has set itself with regard to its composition are therefore not intended to be instructions to those entitled to vote or restrictions on their freedom to vote. More to the point, they reflect the composition which the current Supervisory Board believes should be striven for in future by those entitled to nominate and elect board members, in view of the advisory and supervisory needs of BMW AG's Supervisory Board.

Apart from the desired increase in the number of female Supervisory Board members, the present composition of the Supervisory Board (see page 155 et seq.) fulfils the composition objectives detailed above.

Compensation Report

The following section describes the principles relating to the compensation of the Board of Management and the stipulations set out in the statutes relating to the compensation of the Supervisory Board. In addition to discussing the compensation system, the components of compensation are also disclosed in absolute figures. Furthermore, the compensation of each member of the Board of Management and the Supervisory Board for the financial year 2011 is disclosed by individual and analysed into components.

1. Compensation of the Board of Management

Responsibilities; approval by shareholders in 2011

The Supervisory Board is responsible for determining and regularly reviewing the Board of Management's compensation. The Personnel Committee plays a preparatory role in this process.

In conjunction with the introduction of a share-based remuneration scheme, the compensation system applicable to the Board of Management was presented most recently for approval by shareholders at the Annual General Meeting on 12 May 2011 as part of a consultative process ("Say on Pay"). The compensation system was approved with a majority vote of 95.83 %.

Principles of compensation

The compensation system for the Board of Management at BMW AG is designed to encourage a management approach focused on sustainable development. One important principle applied when designing remuneration systems at BMW is that of consistency at different levels. In other words, compensation systems for the Board of Management, senior management and employees of BMW AG should all have a similar structure and contain similar components. The Supervisory Board carries out regular checks to ensure that all Board of Management compensation components are appropriate, both individually and in total, and do not encourage the Board of Management to take inappropriate risks for the BMW Group. At the same time, the compensation model used for the Board of Management should be attractive in the context of the competitive environment for highly qualified executives.

The compensation of members of the Board of Management is determined by the full Supervisory Board on the basis of performance criteria and after taking into account any remuneration received from Group companies. The principal performance criteria are the nature of the tasks allocated to each member of the Board of Management, the economic situation and the performance and future prospects of the BMW Group. The Supervisory Board sets demanding and relevant parameters as the basis for variable compensation. It also takes care to ensure that variable components based on multi-year assessment criteria take account of both positive and negative developments and that the package as whole encourages a long-term approach to business performance. Targets and other parameters may not be changed retrospectively.

The Supervisory Board reviews the appropriateness of the compensation system annually. The Personnel Committee also makes use of remuneration studies. The Supervisory Board reviews the appropriateness of the compensation system in horizontal terms by comparing compensation paid by DAX-30 companies and in vertical terms by comparing board compensation with the salaries of the two top levels of management (below board level) and with the average salaries of employees. Recommendations made by an independent external remuneration expert and suggestions made by investors and analysts are also considered in the consultative process.

Compensation system, compensation components

The compensation of the Board of Management comprises both fixed and variable remuneration as well as a share-based component. Retirement and surviving dependants' benefit entitlements are also in place.

Fixed remuneration

Fixed remuneration consists of a base salary (paid monthly) and other remuneration elements. Other remuneration elements comprise mainly the use of Company cars as well as the payment of insurance premiums, contributions towards security systems and an annual medical check-up.

The basic remuneration of members of the Board of Management was raised in 2011. For the financial year 2011, the basic remuneration during the first period of office of a Board of Management member was €510,000 (2010: €420,000) and €590,000 (2010: €480,000) with effect from the start of the second period of office. The basic remuneration of the Chairman of the Board of Management was €1,020,000 (2010: €840,000). For financial years commencing after 1 January 2012, the basic remuneration during the first period of office of a Board of Management member was raised to €750,000 p.a., to €900,000 p.a. with effect from the start of the second period of office and to €1,500,000 p.a. for the Chairman of the Board of Management.

Variable remuneration

The variable remuneration of Board of Management members comprises variable cash remuneration on the one hand and share-based remuneration components on the other.

Variable cash remuneration, in particular bonuses

Variable cash remuneration consists of a cash bonus and a requirement is to invest the equivalent of 20 % of a member's total bonus (after tax but including any taxes and social insurance amounts borne by the Company) in BMW AG common stock. In substantiated cases, the Supervisory Board also has the option of paying an additional special bonus.

The bonus is made up of two components, each equally weighted, namely a corporate earnings-related bonus and a personal performance-related bonus. The target bonus (100 %) for a Board of Management member (i.e. covering both components of variable compensation) totals €1.5 million p.a. for the first term of office and €1.75 million p.a. with effect from the second. The equivalent figure for the Chairman of the Board of Management is €3 million p.a. Upper limits for the amount of the bonus are in place for all Board of Management members (250 % of the relevant target bonus).

The corporate earnings-related bonus is based on the BMW Group's net profit and post-tax return on sales (which are combined in a single earnings factor) and the level of the dividend (common stock). The corporate earnings-related bonus is derived by multiplying the target amount fixed for each member of the Board of Management by the earnings factor and by the dividend factor. In exceptional circumstances, for instance when there have been major acquisitions or disposals, the Supervisory Board may adjust the level of the corporate earnings-related bonus.

An earnings and dividend factor of 1.00 gives rise to an earnings-based bonus of €0.75 million for the relevant financial year for a member of the Board of Management during the first period of office and one of €0.875 million during the second period of office. The equivalent bonus for the Chairman of the Board of Management is €1.5 million. The earnings factor is 1.00 in the event of a Group net profit of €3.1 billion and a post-tax return on sales of 5.6 %. The dividend factor is 1.00 in the event that the dividend paid on the shares of common stock is between 101 and 110 cents. If the Group net profit is below €1 billion or if the post-tax return on sales is less than 2 %, the earnings factor will be zero. In these cases, no corporate earnings-related bonus will be paid. Based on the principle of consistency at all levels, this rule is also applicable in determining the corporate earnings-related variable compensation components of all managers and staff of BMW AG.

The personal performance-related bonus is derived by multiplying the target amount set for each member of the Board of Management by a performance factor. The Supervisory Board sets the performance factor on the basis of its assessment of the contribution of the relevant Board of Management member to sustainable and long-term oriented business development. In setting the factor, consideration is given equally to personal performance and decisions taken in previous forecasting periods, key decisions affecting the future development of the business and the effectiveness of measures taken in response to changing external conditions as well as other activities aimed at safeguarding the future viability of the business to the extent not included directly in the basis of measurement. Performance factor criteria include innovation (economic and ecological, e. g. reduction of CO_2 emissions), leadership accomplishments, contributions to the Company's attractiveness as an employer, progress in implementing the diversity concept and activities that foster corporate social responsibility.

The target bonus and the key figures used to determine the corporate earnings-related bonus are fixed for a period of three financial years, during which time they may not be amended retrospectively.

Share-based remuneration programme

For financial years commencing after 1 January 2011, the compensation system includes a share-based remuneration scheme, in which the level of share-based remuneration is based on the amount of the bonus paid. The new system is aimed at creating further long-term incentives to encourage sustainable governance.

The programme includes a requirement for Board of Management members to invest 20 % of the total bonus of each member (after tax but including any taxes and social insurance amounts borne by the Company) in BMW AG common stock. As a general rule, the shares must be held for a minimum of four years. As part of a matching plan, at the end of the holding period, the Board of Management members will receive from the Company either one additional share of common stock or an equivalent cash amount for three shares of common stock held, to be decided at the discretion of the Company (share-based remuneration component/matching component), unless the employment relationship was ended before expiry of the agreed contractual period (except where caused by death or invalidity). Special rules apply in the case of death, invalidity and economic hardship of a Board of Management member before fulfilment of the holding period.

Retirement and surviving dependants' benefits

The provision of retirement and surviving dependants' benefits for existing and future members of the Board of

Management was changed to a defined contribution system with a guaranteed minimum return with effect from 1 January 2010. However, given the fact that board members had a legal right to receive the benefits already promised to them, they have been given the option to choose between the previous system and the new one.

In the event of the termination of mandate, current members of the Board of Management are entitled to receive certain defined benefits in accordance with the pension scheme rules. Pensions are paid to former members of the Board of Management who have either reached the age of 65 or, if their mandate was terminated earlier and not extended, to members who have either reached the age of 60 or who are unable to work due to ill-health or accident, or who have entered into early retirement in accordance with a special arrangement. The amount of the pension is unchanged from the previous year and comprises a basic monthly amount of €10,000 or €15,000 (Chairman of the Board of Management) plus a fixed amount. The fixed amount is made up of approximately €75 for each year of service in the Company before becoming a member of the Board of Management plus between €400 and €600 for each full year of service on the board (up to a maximum of 15 years). Pension payments are adjusted by analogy to the rules applicable for the adjustment of civil servants' pensions: the pensions of members of the Board of Management are adjusted when the civil servants remuneration level B6 (excluding allowances) is increased by more than 5% or in accordance with the Company Pension Act.

In certain circumstances, Board of Management members were entitled under contracts signed before 1 January 2010 to receive so-called "transitional payments" until their retirement. These rules were cancelled 2011 in agreement with Board of Management members currently in office.

If a mandate is terminated after 1 January 2010, the new defined contribution system provides entitlements which can be paid either (a) in the case of death or invalidity as a one-off amount or over a maximum of ten years or (b) on retirement – depending on the wish of the ex-board member concerned – in the form of a lifelong monthly pension, as a one-off amount, in a maximum of ten annual instalments, or in a combined form (e.g. a combination of a one-off payment and a proportionately reduced lifelong monthly pension). Pensions are paid to former members of the Board of Management who have either reached the statutory retirement age for the state pension scheme in Germany or, if their mandate had terminated earlier and had not been extended, to members who have either reached the age of 60 or are permanently unable to work, or who have entered into early retirement in accordance with a special arrangement. In addition, following the death of a retired board member who has elected to receive a lifelong pension, 60% of that amount is paid as a lifelong widow's pension. Pensions are increased annually by an amount of at least 1%.

The amount of the retirement pension to be paid is determined on the basis of the amount accrued in each board member's individual pension savings account. The amount on this account arises from annual contributions paid in plus interest earned depending on the type of investment.

The annual contribution to be paid for each member of the Board of Management for 2011 amounts to €270,000 (€475,000 for the Chairman of the Board of Management) and, from 2012 onwards €300,000 (€525,000 for the Chairman of the Board of Management). The contributions are credited, along with interest earned, to the personal savings accounts of board members in monthly amounts. The guaranteed minimum rate of return p.a. corresponds to the maximum interest rate used to calculate insurance reserves for life insurance policies (guaranteed interest on life insurance policies).

In the case of invalidity or death, a minimum of 60% of the potential annual contributions will be paid until the person concerned would have reached the age of 60.

Contributions falling due under the defined contribution scheme are paid into an external fund in conjunction with a trust model that is also used to fund pension obligations to employees.

Income earned on an employed or a self-employed basis up to the age of 63 is offset against the pension entitlement. In addition, certain circumstances have been specified, in the event of which the Company no longer has any obligation to pay benefits. In such cases, no transitional payments will be made either.

Retired board members are entitled to use Company and lease vehicles in line with the rules applicable for senior heads of departments.

Apart from the cancellation of transitional pay arrangements, no changes were made during 2011 to entitlements in the event of termination of a member's activities on the board.

Compensation claims, entitlements to receive amounts from third parties

If a board member's mandate is terminated early without important reason, there are no contractual commitments to pay compensation. Similarly, there are no commitments to pay compensation for early termination in the event of a change of control or a takeover offer.

No members of the Board of Management received any payments or benefits from third parties in 2011 on account of their activities as members of the Board of Management of BMW AG.

Overview of compensation system and compensation components

Component	Parameter / measurement base
Salary	
	for 2011 (for financial year 2012 and thereafter) Member of the Board of Management: – €0.51 million (€0.75 million) p.a. (first term of appointment) – €0.59 million (€0.90 million) p.a. (from second term of appointment onwards) Chairman of the Board of Management: – €1.02 million (€1.50 million) p.a.
Variable compensation	
Bonus	Target bonuses (if target is 100% achieved): – €1.50 million p.a. (first term of appointment) – €1.75 million p.a. (from second term of appointment onwards) – €3.00 million p.a. (Chairman of the Board of Management) – Upper limit: 250%
a) Corporate earnings-related bonus (corresponds to 50% of target bonus if target is 100% achieved)	– Quantitative criteria fixed in advance for a period of three financial years – Formula: 50% of target bonus x earnings factor x dividend factor (common stock) – The earnings factor is derived from the Group net profit and the Group post-tax return on sales
b) Performance-related bonus (corresponds to 50% of target bonus if target is 100% achieved)	– Primarily qualitative criteria, expressed in terms of a performance factor aimed at measuring the board members contribution to sustainable and long-term performance and the future viability of the business – Formula: 50% of target bonus x performance factor – Other criteria for performance factor: innovation (economic and ecological, e.g. reduction of CO_2 emissions), leadership skills and attractiveness as employer, progress in implementing diversity concept, corporate social responsibility
Special bonus payments	May be paid in justified circumstances on appropriate basis, contractual basis, no entitlement
Share-based remuneration programme	– Requirement for Board of Management members to invest each an amount equivalent to 20% of their total bonus (after tax) in BMW AG common stock
a) Cash remuneration component	– Earmarked cash remuneration equivalent to the amount required to be invested in BMW AG shares, plus taxes and social insurance contributions
b) Share-based remuneration component (matching component)	– Once the four-year holding period requirement is fulfilled, Board of Management members receive for each three common stock shares held either – at the Company's option – one further share of common stock or the equivalent amount in cash, unless the employment relationship was ended before expiry of the agreed contractual period (except where caused by death or invalidity).
Other remuneration	
	Contractual agreement, main points: use of company cars, insurance premiums, contributions towards security systems, medical check-up
Compensation entitlements on termination of contract, compensation entitlements in event of change of control or takeover bid	
	No contractual entitlements
Retirement and surviving dependants' benefits	
Model	Principal features
a) Defined benefits (only applies to board members appointed for the first time before 1 January 2010; based on legal right to receive the benefits already promised to them, this group of persons is entitled to opt between (a) and (b))	Pension of base amount of €10,000 (Chairman: €15,000) plus fixed amounts based on length of Company and board service
b) Defined contribution system since 1 January 2010 with guaranteed minimum rate of return	Pension based on amounts credited to individual savings accounts for contributions paid and interest earned Annual contribution for board member (Chairman) for 2011: €270,000 (€475,000) for financial year 2012 and thereafter: €300,000 (€525,000) Various forms of disbursement

Compensation of the Board of Management for the financial year 2011 (total)

The total compensation of the current members of the Board of Management of BMW AG for 2011 amounted to €27.3 million (2010: €18.2 million). This comprises fixed components (including other remuneration) of €4.7 million (2010: €3.7 million), variable components of €21.9 million (2010: €14.5 million), and, payable for the first time for the financial year 2011, a share-based compensation component totalling €0.7 million (2010: €– million). The composition of the Board of Management was unchanged in 2011 compared to the previous year.

in € million	2011 Amount	2011 Proportion in %	2010 Amount	2010 Proportion in %
Fixed compensation	**4.7**	**17.2**	3.7	20.3
Variable cash compensation	**21.9**	**80.2**	14.5	79.7
Share-based compensation component*	**0.7**	**2.6**	0	0
Total compensation	**27.3**	**100.0**	**18.2**	**100.0**

* Matching component; provisional number or provisional monetary value calculated at contract date (date on which the entitlement became binding in law). The final number of matching shares is determined when the requirement to invest in BMW AG common stock has been fulfilled.

In addition, an expense of €1.1 million (2010: €0.9 million) was recognised in the financial year 2011 for current members of the Board of Management for the period after the end of their service relationship. This relates to the expense for allocations to pension provisions (service cost).

Compensation of the individual members of the Board of Management for the financial year 2011 (2010)

in € or number of matching shares	Fixed compensation: Basic compensation	Fixed compensation: Other compensation	Fixed compensation: Total	Variable compensation	Share-based compensation component (matching component)[1]: Number	Share-based compensation component (matching component)[1]: Monetary value	**Compensation Total**	Expense for sharebased compensation component in year under report in accordance with HGB and IFRS	Provision at 31.12.2011 for share-based remuneration component in accordance with HGB and IFRS[2]
Norbert Reithofer	1,020,000	22,455	1,042,455	4,971,600	2,610	142,480	**6,156,535**	21,443	21,443
	(840,000)	(17,716)	(857,716)	(3,438,500)	(–)	(–)	(4,296,216)	(–)	(–)
Frank-Peter Arndt	590,000	22,081	612,081	2,900,100	1,522	87,302	**3,599,483**	18,757	18,757
	(480,000)	(21,529)	(501,529)	(2,006,625)	(–)	(–)	(2,508,154)	(–)	(–)
Herbert Diess	590,000	72,190	662,190	2,900,100	1,634	88,710	**3,651,000**	15,377	15,377
	(435,000)	(18,944)	(453,944)	(1,802,344)	(–)	(–)	(2,256,288)	(–)	(–)
Klaus Draeger	590,000	16,008	606,008	2,900,100	1,634	95,998	**3,602,106**	19,222	19,222
	(480,000)	(20,016)	(500,016)	(2,006,625)	(–)	(–)	(2,506,641)	(–)	(–)
Friedrich Eichiner	590,000	26,842	616,842	2,900,100	1,634	90,311	**3,607,253**	16,915	16,915
	(435,000)	(24,747)	(459,747)	(1,802,344)	(–)	(–)	(2,262,091)	(–)	(–)
Harald Krüger	518,333	20,148	538,481	2,520,325	1,323	73,347	**3,132,153**	9,924	9,924
	(420,000)	(20,473)	(440,473)	(1,734,250)	(–)	(–)	(2,174,723)	(–)	(–)
Ian Robertson	578,065	14,106	592,171	2,817,686	1,588	90,707	**3,500,564**	13,475	13,475
	(420,000)	(13,987)	(433,987)	(1,734,250)	(–)	(–)	(2,168,237)	(–)	(–)
Total	**4,476,398**	**193,830**	**4,670,228**	**21,910,011**	**11,945**	**668,855**	**27,249,094**	**115,113**	**115,113**
	(3,510,000)	(137,412)	(3,647,412)	(14,524,938)	(–)	(–)	(18,172,350)	(–)	(–)

[1] Provisional number or provisional monetary value calculated at contract date (date on which the entitlement became binding in law). The final number of matching shares is determined when the requirement to invest in BMW AG common stock has been fulfilled. See note 17 to the Group Financial Statements for a description of the accounting treatment of the share-based compensation component.

[2] Provisional number or provisional monetary value calculated on the basis of the closing price of BMW common stock in the XETRA trading system on 30 December 2011 (€51.76) (fair value at reporting date).

Pension benefits

in €	Allocated to pension provisions in financial year 2011[1]	Present value of pension obligations (defined benefit plans), in accordance with IFRS[2, 3]	Present value of pension obligations (defined benefit plans), in accordance with HGB[2]	Balance on accounts at 31.12.2011 (defined benefit plans)[2]
Norbert Reithofer	196,016	5,093,510	4,733,729	3,858,278
	(168,018)	(4,393,600)	(4,092,763)	(3,493,226)
Frank-Peter Arndt	110,826	3,027,171	2,839,571	2,584,455
	(94,937)	(2,972,820)	(2,769,243)	(2,389,511)
Herbert Diess	147,280	2,201,981	2,041,544	1,817,002
	(123,733)	(2,079,474)	(1,915,385)	(1,646,141)
Klaus Draeger	112,163	2,908,811	2,711,411	2,426,238
	(95,435)	(2,736,323)	(2,539,567)	(2,226,217)
Friedrich Eichiner	127,016	3,058,014	2,872,538	2,536,562
	(109,474)	(2,931,281)	(2,741,092)	(2,340,081)
Harald Krüger	87,282	1,669,436	1,508,167	1,382,823
	(70,062)	(1,570,426)	(1,408,702)	(1,213,803)
Ian Robertson	278,587	994,200	924,011	768,936
	(238,584)	(714,664)	(660,951)	(532,713)
Total[2]	**1,059,170**	**18,953,123**	**17,630,971**	**15,374,294**
	(900,243)	(17,398,588)	(16,127,703)	(13,841,692)

[1] Corresponds to service cost in accordance with IFRS.
[2] Based on legal right to receive the benefits already promised to them, current board members were given the option of choosing between the old and new models at the time the Company changed from a defined benefit to a defined contribution system.
[3] Defined Benefit Obligations

The amount paid to former members of the Board of Management and their dependants was €3.7 million (2010: €3.7 million). Pension obligations to former members of the Board of Management and their surviving dependants are fully covered by pension provisions amounting to €51.6 million (2010: €49.7 million), computed in accordance with IAS 19.

2. Compensation of the Supervisory Board Responsibilities; regulation pursuant to Articles of Incorporation

The compensation of the Supervisory Board is determined by shareholders' resolution at the Annual General Meeting. The compensation regulation valid for the financial year 2011 was resolved by shareholders at the Annual General Meeting on 8 May 2008 and is set out in Article 15 of BMW AG's Articles of Incorporation, which can be viewed and/or downloaded at www.bmwgroup.com/ir under the menu items "Corporate Facts" and "Corporate Governance".

Compensation principles, compensation components

The Supervisory Board of BMW AG receives both fixed and corporate performance-related compensation. Earnings per share of common stock form the basis for corporate performance-related compensation.

Each member of the Supervisory Board receives, in addition to the reimbursement of reasonable expenses, a fixed amount of €55,000 (payable at the end of the year) as well as a performance-related compensation of €220 for each full €0.01 by which the earnings per share (EPS) of common stock reported in the Group Financial Statements for the relevant financial year (remuneration year) exceed a minimum amount of €2.30 (payable after the Annual General Meeting held in the following year). An upper limit of €110,000 is in place for the corporate performance-related compensation.

With this combination of fixed and corporate performance-related compensation, the compensation structure in place for BMW AG's Supervisory Board complies with the recommendation contained in section 5.4.6 of the German Corporate Governance Code (Code version dated 26 May 2010). The German Corporate Governance Code also recommends that the exercising of chair and deputy chair positions in the Supervisory Board as well the chair and membership of committees should also be considered when determining the level of compensation.

Accordingly, the Articles of Incorporation of BMW AG stipulate that the Chairman of the Supervisory Board shall receive three times the amount and each Deputy Chairman shall receive twice the amount of the remuneration of a Supervisory Board member. Provided the relevant committee convened for meetings on at least three days during the financial year, each chairman of the Supervisory Board's committees receives twice the amount and each member of a committee receives one and a half times the amount of the remuneration of a Supervisory Board member. If a member of the Supervisory Board exercises more than one of the functions referred to above, the compensation is measured only on the basis of the function which is remunerated with the highest amount.

In addition, each member of the Supervisory Board receives an attendance fee of €2,000 for each full meeting of the Supervisory Board (Plenum) which the member has attended (payable at the end of the financial year). Attendance at more than one meeting on the same day is not remunerated separately.

The Company also reimburses to each member of the Supervisory Board any value added tax arising on their remuneration. The amounts disclosed below are net amounts.

In order to be able to perform his duties, the Chairman of the Supervisory Board is provided with secretariat and chauffeur services.

Compensation of the Supervisory Board for the financial year 2011 (total)

In accordance with § 15 of the Articles of Incorporation, the compensation of the Supervisory Board for activities during the financial year 2011 amounted to €4.5 million (2010: €3.1 million). This includes fixed compensation of €1.6 million (2010: €1.6 million) and variable compensation of €2.9 million (2010: €1.5 million). As a result of the earnings per share of €7.45 (see note 18 to the Group Financial Statements), the stipulated upper limits for Supervisory Board variable compensation were applied for the financial year ended 31 December 2011.

in € million	**2011**		2010	
	Amount	Proportion in %	Amount	Proportion in %
Fixed compensation	**1.6**	**35.6**	1.6	51.6
Variable compensation	**2.9**	**64.4**	1.5	48.4
Total compensation	**4.5**	**100.0**	**3.1**	**100.0**

Supervisory Board members did not receive any further compensation or benefits from the BMW Group for advisory and agency services personally rendered.

Compensation of the individual members of the Supervisory Board for the financial year 2011 (2010)

in €	Fixed compensation	Attendance fee	Variable compensation	**Total**[3]
Joachim Milberg (Chairman)	165,000 (165,000)	10,000 (10,000)	330,000 (172,260)	**505,000** (347,260)
Manfred Schoch (Deputy Chairman)[1]	110,000 (110,000)	10,000 (10,000)	220,000 (114,840)	**340,000** (234,840)
Stefan Quandt (Deputy Chairman)	110,000 (110,000)	10,000 (10,000)	220,000 (114,840)	**340,000** (234,840)
Stefan Schmid (Deputy Chairman)[1]	110,000 (110,000)	10,000 (10,000)	220,000 (114,840)	**340,000** (234,840)
Karl-Ludwig Kley (Deputy Chairman)	110,000 (89,356)	10,000 (10,000)	220,000 (93,288)	**340,000** (192,644)
Bertin Eichler[1]	55,000 (55,000)	8,000 (10,000)	110,000 (57,420)	**173,000** (122,420)
Franz Haniel	55,000 (55,000)	10,000 (10,000)	110,000 (57,420)	**175,000** (122,420)
Reinhard Hüttl	55,000 (55,000)	10,000 (8,000)	110,000 (57,420)	**175,000** (120,420)
Henning Kagermann	55,000 (34,356)	10,000 (6,000)	110,000 (35,868)	**175,000** (76,224)
Susanne Klatten	55,000 (55,000)	8,000 (10,000)	110,000 (57,420)	**173,000** (122,420)
Renate Köcher	55,000 (55,000)	10,000 (10,000)	110,000 (57,420)	**175,000** (122,420)
Robert W. Lane	55,000 (55,000)	8,000 (10,000)	110,000 (57,420)	**173,000** (122,420)
Horst Lischka[1]	55,000 (55,000)	10,000 (10,000)	110,000 (57,420)	**175,000** (122,420)
Willibald Löw[1]	55,000 (55,000)	10,000 (10,000)	110,000 (57,420)	**175,000** (122,420)
Wolfgang Mayrhuber	55,000 (55,000)	8,000 (6,000)	110,000 (57,420)	**173,000** (118,420)
Franz Oberländer[1]	55,000 (55,000)	8,000 (8,000)	110,000 (57,420)	**173,000** (120,420)
Anton Ruf	55,000 (55,000)	8,000 (10,000)	110,000 (57,420)	**173,000** (122,420)
Maria Schmidt[1]	55,000 (55,000)	10,000 (10,000)	110,000 (57,420)	**175,000** (122,420)
Jürgen Wechsler[1,2]	48,973 (–)	6,000 (–)	97,045 (–)	**152,018** (–)
Werner Zierer[1]	55,000 (55,000)	10,000 (10,000)	110,000 (57,420)	**175,000** (122,420)
Total[3]	**1,423,973** (1,430,301)	**184,000** (184,000)	**2,847,045** (1,493,235)	**4,455,018** (3,107,536)

[1] These employee representatives have – in line with the guidelines of the Deutsche Gewerkschaftsbund – requested that their remuneration be paid into the Hans-Böckler-Foundation.
[2] Member of the Supervisory Board since 10 February 2011
[3] Figures for the previous year include the remuneration of members of the Supervisory Board who left office during the financial year 2010.

3. Other
Apart from vehicle lease contracts entered into on customary market conditions, no advances and loans were granted by the Company to members of the Board of Management and the Supervisory Board, nor were any contingent liabilities entered into on their behalf.

Reportable securities transactions (Directors' Dealings)
Pursuant to § 15 a of the German Securities Trading Act (WpHG), members of the Board of Management and the Supervisory Board and any persons related to those members are required to give notice to BMW AG and the Federal Agency for the Supervision of Financial Services of transactions with BMW stock or related financial instruments if the total sum of such transactions exceeds an amount of €5,000 during any given calendar year. All transactions notified to BMW AG are disclosed on its website at www.bmwgroup.com/ir and in its Annual Document pursuant to § 10 (1) of the German Securities Prospectus Act. No notifications of transactions pursuant to § 15 a WpHG were made to the Company during the financial year 2011.

Shareholdings of members of the Board of Management and the Supervisory Board
The members of the Supervisory Board of BMW AG hold in total 27.65 % (2010: 27.66 %) of the Company's shares of common and preferred stock, of which 16.09 % (2010: 16.10 %) relates to Stefan Quandt, Bad Homburg v. d. H. and 11.56 % (2010: 11.56 %) to Susanne Klatten, Munich. The shareholding of the members of the Board of Management totals less than 1 % of the issued shares.

Share-based remuneration programme for employees and Board of Management members
Two share-based remuneration programme were in place at BMW AG during the year under report, namely the Employee Share Scheme under which entitled employees of BMW AG have been able to participate in the enterprise's success since 1989 and the share-based commitments to Board of Management members starting in 2011 (for further information see also page 168 within the Compensation Report and note 17 to the Group Financial Statements).

In 2011 employees were able under the terms of the Employee Share Scheme to acquire packages of between five and 20 shares of non-voting preferred stock with a discount of €12.50 per share compared to the market price (average closing price in Xetra trading during the period from 7 November to 10 November 2011). All employees of BMW AG and its wholly owned German subsidiaries (if agreed to by the directors of those entities) were entitled to participate in the scheme. Employees were required to have been in an uninterrupted employment relationship with BMW AG or the relevant subsidiary for at least one year at the date on which the allocation for the year was announced. Shares of preferred stock acquired in conjunction with the Employee Share programme are subject to a vesting period of four years, starting from 1 January of the year in which the shares were acquired. A total of 408,140 (2010: 499,590) shares of preferred stock were acquired by employees under the scheme in 2011; 407,960 (2010: 498,050) of these shares were drawn from the Authorised Capital 2009, the remainder were bought back via the stock exchange. Every year the Board of Management of BMW AG decides whether the scheme is to be continued. Further information is provided in notes 17 and 30 to the Group Financial Statements.

Information on corporate governance practices applied beyond mandatory requirements
Core principles
Within the BMW Group, the Board of Management, the Supervisory Board and the employees base their actions on twelve core principles which are the cornerstone of the success of the BMW Group:

Customer focus
The success of our Company is determined by our customers. They are at the heart of everything we do.
The results of all our activities must be valued in terms of the benefits they will generate for our customers.

Peak performance
We aim to be the best – a challenge to which all of us must rise. Each and every employee must be prepared to deliver peak performance. We strive to be among the elite, but without being arrogant. It is the Company and its products that count – and nothing else.

Responsibility
Every BMW Group employee has the personal responsibility for the Company's success. When working in a team, each employee must assume personal responsibility for his or her actions. We are fully aware that we are working to achieve the Company's goals. For this reason, we work together in the best interests of the Company.

Effectiveness
The only results that count for the Company are those which have a sustainable impact. In assessing leadership,

we must consider the effectiveness of performance on results.

Adaptability

In order to ensure our long-term success we must adapt to new challenges with speed and flexibility. We therefore see change as an opportunity – adaptability is essential to be able to capitalise on it.

Frankness

As we strive to find the best solution, it is each employee's duty to express any opposing opinions they may have. The solutions we agree upon will then be consistently implemented by all those involved.

Respect, trust, fairness

We treat each other with respect. Leadership is based on mutual trust. Trust is rooted in fairness and reliability.

Employees

People make companies. Our employees are the strongest factor in our success, which means our personnel decisions will be amongst the most important we ever make.

Leading by example

Every manager must lead by example.

Sustainability

In our view, sustainability constitutes a lasting contribution to the success of the Company. This is the basis upon which we assume ecological and social responsibility.

Society

Social responsibility is an integral part of our corporate self-image.

Independence

We secure the corporate independence of the BMW Group through sustained profitable growth.

The core principles are also available at www.bmwgroup.com under the menu items "Responsibility" and "Employees".

Social responsibility towards employees and along the supplier chain

The BMW Group stands by its social responsibilities. Our corporate culture combines the drive for success with a willingness to be open, trustworthy and transparent. We are well aware of our responsibility towards society. Our models for sustainable social responsibility towards employees and for ensuring compliance with international social standards are based on various internationally recognised guidelines. The BMW Group is committed to adhering to the OECD's guidelines for multinational companies and the contents of the ICC Business Charter for Sustainable Development. Details of the contents of these guidelines and other relevant information can be found at www.oecd.org and www.iccwbo.org. The Board of Management signed the United Nations Global Compact in 2001 and, in 2005, together with employee representatives, issued a "Joint Declaration on Human Rights and Working Conditions in the BMW Group". This Joint Declaration was reconfirmed in 2010. With the signature of these documents, we have given our commitment to abide by internationally recognised human rights and to comply with the fundamental working standards of the International Labour Organization (ILO) throughout the BMW Group worldwide. The most important of these are freedom of employment, the prohibition of discrimination, the freedom of association and the right to collective bargaining, the prohibition of child labour, the right to appropriate remuneration, regulated working times and compliance with work and safety regulations. The complete text of the UN Global Compact and the recommendations of the ILO and other relevant information can be found at www.unglobalcompact.org and www.ilo.org. The Joint Declaration on Human Rights and Working Conditions in the BMW Group can be found at www.bmwgroup.com under the menu item "Responsibility" (Services/Downloads/Topics: "Employees and Society").

Further information regarding employees and diversity is provided in the "Personnel" section.

It goes without saying that the BMW Group abides by these fundamental principles and rights worldwide. Employees have therefore been sensitised to this issue since 2005 by means of regular internal communications. 2011 saw the introduction of mandatory training for all employees, covering the latest developments in this area. Activities can only be sustainable, however, if they encompass the entire value-added chain. That is why the BMW Group not only makes high demands of itself but also expects its suppliers and partners to meet the ecological and social standards it sets. The relevant sustainability criteria therefore play an integral part in all aspects of purchasing terms and conditions as well as for the purposes of evaluating suppliers. Potential suppliers must submit a full disclosure when completing BMW's sustainability questionnaire, an inherent component of the acceptance procedure for potential new suppliers. The BMW Group also insists that its suppliers ensure that their sub-contractors comply with set standards. Purchasing terms and conditions and other information relating to purchasing can be found in the publicly available section of the BMW Group Partner Portal at https://b2b.bmw.com.

Compliance in the BMW Group

Responsible and lawful conduct is fundamental to the success of the BMW Group. This approach is an integral part of our corporate culture and is the reason why customers, shareholders, business partners and the general public place their trust in us. The Board of Management and the employees of the BMW Group are obliged to act responsibly and in compliance with applicable laws and regulations.

This principle has been embedded in BMW's internal rules of conduct for many years. In order to ensure to protect itself systematically against compliance-related and reputational risks, the Board of Management created a Compliance Committee back in 2007, mandated to establish a worldwide Compliance Organisation throughout the BMW Group.

The BMW Group Compliance Committee comprises the heads of the following departments: Legal Affairs, Corporate and Governmental Affairs, Corporate Audit, Group Reporting, Organisational Development and Corporate Human Resources. It manages and monitors activities necessary to avoid non-compliance with the law (Legal Compliance). These activities include training, information and communication measures, following up cases of non-compliance and implementing compliance requirements.

The BMW Group Compliance Committee reports regularly to the Board of Management on all compliance-related issues, including the progress made in developing the BMW Group Compliance Organisation, details of investigations performed, known infringements of the law, sanctions imposed and corrective/preventative measures implemented. The decisions taken by the BMW Group Compliance Committee are drafted in concept, and implemented operationally, by the BMW Group Compliance Committee Office. The BMW Group Compliance Committee Office is allocated in organisational terms to the Chairman of the Board of Management.

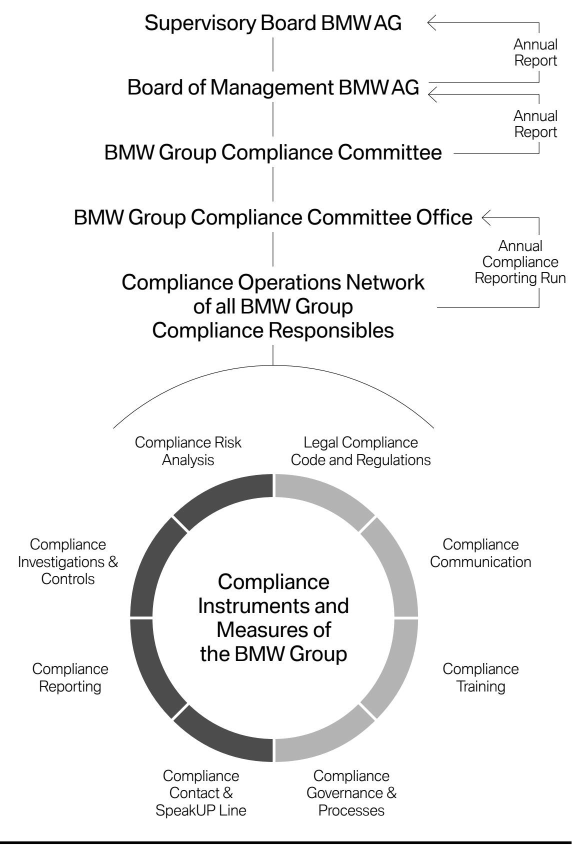
The Chairman of the BMW Group Compliance Committee keeps the Audit Committee (i.e. a part of the Supervisory Board) informed on the current status of compliance activities within the BMW Group, both on a regular and a case-by-case basis as the need arises.

The Board of Management keeps track of and analyses compliance-related developments and trends on the basis of the Group's compliance reporting and input from the BMW Group Compliance Committee. In order to augment the effectiveness of the BMW Group Compliance Organisation, the Board of Management decided in autumn 2010 to supplement existing compliance requirements in the BMW Group with a range of additional measures. In 2011, the emphasis of activities undertaken has been the assessment of risks groupwide, additional measures to avoid cases of corruption and the introduction of regionally structured compliance management.

The BMW Group Compliance Organisation comprises the entire set of measures taken to ensure that the BMW Group, its representative bodies, its managers and its staff act in a lawful manner. It is supplemented by a whole range of internal policies, guidelines and instructions, which in part reflect applicable legislation.

The various elements of the BMW Group Compliance Organisation are shown in the diagram stated below and are applicable for all BMW Group entities worldwide. To the extent that additional compliance requirements

BMW Group Compliance Organisation



apply to individual countries or specific lines of business, these are covered by supplementary compliance measures.

The BMW Group Legal Compliance Code is at the core of the Compliance Organisation. This document, which explains the significance of legal compliance and provides an overview of the various areas relevant for the BMW Group, is available both as a printed brochure and to download in German and English. In addition, translations into nine other languages are available (French, Italian, Japanese, Korean, Mandarin, Portuguese, Russian, Spanish and Thai).

In July 2011, the Board of Management supplemented the BMW Group Legal Compliance Code by endorsing the BMW Group Policy "Corruption Prevention", setting out the framework for dealing legitimately with gifts, hospitalities and other benefits and defining appropriate value limits and approval procedures for specified actions. The requirements for acceptable courses of action are described in detail for a range of typical business situations.

Managers in particular bear a high degree of responsibility and must set a good example in the process of preventing infringements. All managers are required to inform the staff working for them of the content and significance of the Legal Compliance Code and to make staff aware of legal risks. Managers must, at regular intervals and on their own initiative, check compliance with the law and communicate regularly with staff on this issue. Any indication of non-compliance with the law must be rigorously investigated.

More than 13,000 managers and staff have received training worldwide in essential compliance matters since the introduction of the BMW Group Compliance Organisation. The training material is available on an internet-based training platform in German and English and includes a final test. Successful participation in the training programme, which is documented by a certificate, is mandatory for all BMW Group managers. Appropriate processes are in place to ensure that all newly recruited managers and promoted staff undergo compliance training.

In addition to this basic training, in-depth training is also provided to certain groups of staff on specific compliance issues. This includes a training programme ("Compliance Advanced – Competition and Antitrust Law") aimed at employees who come into contact with antitrust-related issues as a result of their functions within sales or purchasing.

In order to avoid legal risks, all members of staff are expected to discuss matters with their managers and with the relevant departments within the BMW Group, in particular Legal Affairs, Corporate Audit and Corporate Security. As a further point of contact, the BMW Group Compliance Contact has been set up both for employees and non-employees to answer any questions that may arise regarding compliance.

Since July 2011, employees have the opportunity to submit information – anonymously and confidentially – via the BMW Group SpeakUP Line about possible breaches of the law within the Company. The BMW Group SpeakUP Line is available in a total of 34 languages and can be reached via local free-of-charge telephone numbers in all of the countries in which BMW Group employees carry out activities.

Compliance-related queries and all matters to which attention has been drawn are documented and followed up by the BMW Group Compliance Committee Office using an electronic Case Management System. If necessary, Corporate Audit, Corporate Security, the Works Council and Legal Affairs may be called upon to assist in the investigation process.

A reporting system has been established for the BMW Group Compliance Organisation which enables compliance-relevant issues to be reported to the Compliance Committee on a regular basis, and, if necessary, on an ad hoc basis. A total of 140 Compliance Managers covering all areas of the BMW Group report on compliance matters. This includes reporting on the compliance status of the relevant entities, on identified legal risks and incidences of non-compliance as well as on corrective/preventative measures implemented.

Compliance with and the implementation of the Legal Compliance Code are audited regularly by Corporate Audit and subjected to control checks by Corporate Security and the BMW Group Compliance Committee Office. As part of its regular activities, Corporate Audit carries out on-site audits. The BMW Group Compliance Committee also engages Corporate Audit to perform compliance-specific tests. In addition, sample checks

(BMW Group Compliance Spot Checks) specifically designed to identify potential risks of corruption have been carried out since the beginning of 2011.

Compliance control activities are managed by the BMW Group Panel Compliance Controls on the basis of a group-wide assessment of compliance risks.

It is essential that employees are aware of and comply with applicable legal regulations. The BMW Group does not tolerate violations of law by its employees. Culpable violations of law result in employment-contract sanctions and may involve personal liability consequences for the employee involved.

In order to avoid this, the BMW Group's employees are kept fully informed of the instruments and measures used by the Compliance Organisation via various internal channels. The central means of communication is the Compliance website within the BMW Group's intranet where employees can find compliance-related information and also have access to training materials in both German and English. Employees can use the website to access frequently asked questions (and answers) on compliance-related issues. The website contains a special service area where various practical tools and aids are made available to employees, which help them deal with typical compliance-related matters. BMW Group employees also have access on the website to an electronically supported approval process for invitations in connection with business partners.

Compliance is also an important factor in terms of safeguarding the future of the BMW Group's workforce. With this in mind, the Board of Management and the national and international employee representative bodies of the BMW Group signed a set of Joint Principles for Lawful Conduct in 2009. In doing so, all parties involved gave a commitment to the principles contained in the BMW Group Legal Compliance Code and to closely cooperating in all matters relating to compliance.

In the interest of investor protection and in order to ensure that the BMW Group complies with regulations relating to potential insider information, as early as 1994 the Board of Management appointed an Ad hoc Committee consisting of representatives of various specialist departments whose members examine the relevance of issues for ad hoc disclosure purposes. All persons working on behalf of the enterprise who have access to insider information in accordance with existing rules have been, and continue to be, included in a corresponding, regularly updated list and informed of the duties arising from insider rules.

OTHER INFORMATION

BMW Group Ten-year Comparison

		2011	2010	2009	2008
Deliveries to customers					
Automobiles	units	**1,668,982**	1,461,166	1,286,310	1,435,876
Motorcycles[3]	units	**113,572**	110,113	100,358	115,196
Production					
Automobiles	units	**1,738,160**	1,481,253	1,258,417	1,439,918
Motorcycles[4]	units	**118,865**	112,271	93,243	118,452
Financial Services					
Contract portfolio	contracts	**3,592,093**	3,190,353	3,085,946	3,031,935
Business volume (based on balance sheet carrying amounts)[5]	€ million	**75,245**	66,233	61,202	60,653
Income Statement					
Revenues	€ million	**68,821**	60,477	50,681	53,197
Gross profit margin Group[6]	%	**21.1**	18.1[7]	10.5	11.4
Profit before financial result	€ million	**8,018**	5,111[7]	289	921
Profit before tax	€ million	**7,383**	4,853[7]	413	351
Return on sales (earnings before tax/revenues)	%	**10.7**	8.0	0.8	0.7
Income taxes	€ million	**2,476**	1,610[7]	203	21
Effective tax rate	%	**33.5**	33.1	49.2	6.0
Net profit for the year	€ million	**4,907**	3,243[7]	210	330
Balance Sheet					
Non-current assets	€ million	**74,425**	67,013[7]	62,009	62,416
Current assets	€ million	**49,004**	43,151	39,944	38,670
Equity	€ million	**27,103**	23,930[7]	19,915	20,273
Equity ratio Group	%	**22.0**	21.7[7]	19.5	20.1
Non-current provisions and liabilities	€ million	**49,113**	46,100[7]	45,119	41,526
Current provisions and liabilities	€ million	**47,213**	40,134	36,919	39,287
Balance sheet total	€ million	**123,429**	110,164[7]	101,953	101,086
Cash Flow Statement					
Cash and cash equivalents at balance sheet date	€ million	**7,776**	7,432	7,767	7,454
Operating cash flow[8]	€ million	**7,077**	8,149[7]	4,921	4,471
Capital expenditure	€ million	**3,692**	3,263	3,471	4,204
Capital expenditure ratio (capital expenditure/revenues)	%	**5.4**	5.4	6.8	7.9
Personnel					
Workforce at the end of year[9]		**100,306**	95,453	96,230	100,041
Personnel cost per employee	€	**84,887**	83,141	72,349	75,612
Dividend					
Dividend total	€ million	**1,508**	852	197	197
Dividend per share of common stock/preferred stock	€	**2.30/2.32**	1.30/1.32	0.30/0.32	0.30/0.32

1 Adjusted for new accounting treatment of pension obligations
2 Reclassified after harmonisation of internal and external reporting systems
3 Excluding C1, sales volume to 2003: 32,859 units, including Husqvarna Motorcycles
4 Excluding C1 production by Bertone, production volume C1 up to 2002: 33,489 units, including Husqvarna Motorcycles
5 Amount computed on the basis of balance sheet figures: until 2007 from the Group balance sheet, from 2008 onwards from the Financial Services segment balance sheet
6 Research and development costs included in cost of sales with the effect from 2008
7 Adjusted for effect of change in accounting policy for leased products as described in note 8
8 Figures are reported in the cash flow statement up to 2006 as cash inflow from operating activities of Industrial Operations and from 2007 as cash inflow from operating activities of the Automotive segment.
9 Figures exclude dormant employment contracts, employees in the non-work phases of pre-retirement part-time arrangements and low wage earners.
10 Adjustment to dividend due to buy-back of treasury shares

	2007	2006	2005	2004[1]	2003	2002[2]
Deliveries to customers						
Automobiles	1,500,678	1,373,970	1,327,992	1,208,732	1,104,916	1,057,344
Motorcycles[3]	102,467	100,064	97,474	92,266	92,962	92,599
Production						
Automobiles	1,541,503	1,366,838	1,323,119	1,250,345	1,118,940	1,090,258
Motorcycles[4]	104,396	103,759	92,012	93,836	89,745	93,010
Financial Services						
Contract portfolio	2,629,949	2,270,528	2,087,368	1,843,399	1,623,425	1,443,236
Business volume (based on balance sheet carrying amounts)[5]	51,257	44,010	40,428	32,556	28,647	26,505
Income Statement						
Revenues	56,018	48,999	46,656	44,335	41,525	42,411
Gross profit margin Group[6]	21.8	23.1	22.9	23.2	22.7	22.8
Profit before financial result	4,212	4,050	3,793	3,774	3,353	3,505
Profit before tax	3,873	4,124	3,287	3,583	3,205	3,297
Return on sales (earnings before tax/revenues)	6.9	8.4	7.0	8.1	7.7	7.8
Income taxes	739	1,250	1,048	1,341	1,258	1,277
Effective tax rate	19.1	30.3	31.9	37.4	39.3	38.7
Net profit for the year	3,134	2,874	2,239	2,242	1,947	2,020
Balance Sheet						
Non-current assets	56,619	50,514	47,556	40,822	36,921	34,667
Current assets	32,378	28,543	27,010	26,812	24,554	20,844
Equity	21,744	19,130	16,973	16,534	16,150	13,871
Equity ratio Group	24.4	24.2	22.8	24.4	26.3	25.0
Non-current provisions and liabilities	33,469	31,372	29,509	26,517	22,090	20,028
Current provisions and liabilities	33,784	28,555	28,084	24,583	23,235	21,612
Balance sheet total	88,997	79,057	74,566	67,634	61,475	55,511
Cash Flow Statement						
Cash and cash equivalents at balance sheet date	2,393	1,336	1,621	2,128	1,659	2,333
Operating cash flow[7]	6,246	5,373	6,184	6,157	4,970	4,553
Capital expenditure	4,267	4,313	3,993	4,347	4,245	4,042
Capital expenditure ratio (capital expenditure/revenues)	7.6	8.8	8.6	9.8	10.2	9.5
Personnel						
Workforce at the end of year[8]	107,539	106,575	105,798	105,972	104,342	101,395
Personnel cost per employee	76,704	76,621	75,238	73,241	73,499	69,560
Dividend						
Dividend total	694	458	419[10]	419	392	351
Dividend per share of common stock/preferred stock	1.06/1.08	0.70/0.72	0.64/0.66	0.62/0.64	0.58/0.60	0.52/0.54

BMW Group Locations

The BMW Group is present in the world markets with 25 production and assembly plants, 43 sales subsidiaries and a research and development network.

— H **Headquarters**

— R Research and Development

BMW Group Research and Innovation Centre (FIZ), Munich, Germany
BMW Group Research and Technology, Munich, Germany
BMW Car IT, Munich, Germany
BMW Innovation and Technology Centre, Landshut, Germany
BMW Diesel Competence Centre, Steyr, Austria
BMW Group Designworks, Newbury Park, USA
BMW Group Technology Office USA, Mountain View, USA
BMW Group Engineering and Emission Test Center, Oxnard, USA
BMW Group ConnectedDrive Lab China, Shanghai, China
BMW Group Engineering China, Beijing, China
BMW Group Engineering Japan, Tokyo, Japan
BMW Group Engineering USA, Woodcliff Lake, USA

— P Production

Berlin plant
Dingolfing plant
Eisenach plant
Goodwood plant, GB (headquarters of Rolls-Royce Motor Cars Limited)
Hams Hall plant, GB
Landshut plant
Leipzig plant
Munich plant
Oxford plant, GB
Regensburg plant
Rosslyn plant, South Africa
BMW Brilliance Automotive Ltd., Shenyang, China (joint venture with Brilliance China Automotive Holdings)
Spartanburg plant, USA
Steyr plant, Austria
Swindon plant, GB
Wackersdorf plant
Husqvarna Motorcycles S. r. l., Cassinetta di Biandronno, Italy

— C Contract production

Magna Steyr Fahrzeugtechnik, Austria

— A Assembly plants

CKD production Cairo, Egypt
CKD production Chennai, India
CKD production Jakarta, Indonesia
CKD production Kaliningrad, Russia
CKD production Kulim, Malaysia
CKD production Manaus, Brazil
CKD production Rayong, Thailand

— S Sales subsidiary markets / Locations Financial Services

Argentina
Australia
Austria
Belgium
Brazil
Bulgaria
China
Canada
Czech Republic
Denmark
Dubai*
Finland
France
Germany
Great Britain
Greece
Hungary
India
Indonesia*
Ireland
Italy
Japan
Malaysia
Malta
Mexico
Netherlands
New Zealand
Norway
Panama*
Poland
Portugal
Romania
Russia
Singapore
Slovakia
Slovenia
South Africa
South Korea
Spain
Sweden
Switzerland
Thailand
USA

* sales locations only

ACEA
Abbreviation for "Association des Constructeurs Européens d'Automobiles" (European Automobile Manufacturers Association).

CFRP
Abbreviation for carbon-fibre reinforced polymer. CFRP is a composite material, consisting of carbon-fibres surrounded by a plastic matrix (resin). On a comparative basis, CFRP is approximately 50 % lighter than steel and 30 % lighter than aluminium.

Common stock
Stock with voting rights (cf. preferred stock).

Connected Drive
Under the term Connected Drive, the BMW Group already unites a unique portfolio of innovative features that enhance comfort, raise infotainment to new levels and significantly boost safety in BMW Group vehicles.

Cost of materials
Comprises all expenditure to purchase raw materials and supplies.

DAX
Abbreviation for "Deutscher Aktienindex", the German Stock Index. The index is based on the weighted market prices of the 30 largest German stock corporations (by stock market capitalisation).

Deferred taxes
Accounting for deferred taxes is a method of allocating tax expense to the appropriate accounting period.

Derivatives
Financial products, whose measurement is derived principally from market price, market price fluctuations and expected market price changes of the underlying instrument (e.g. indices, stocks or bonds).

DJSI World
Abbreviation for "Dow Jones Sustainability Index World". A family of indexes created by Dow Jones and the Swiss investment agency SAM Sustainability Group for companies with strategies based on a sustainability concept. The BMW Group has been one of the leading companies in the DJSI since 1999.

EBIT
Abbreviation for "Earnings Before Interest and Taxes". The profit before income taxes, minority interest and financial result.

EBITDA
Abbreviation for "Earnings Before Interest, Taxes, Depreciation and Amortisation". The profit before income taxes, minority interest, financial result and depreciation/amortisation.

Effectiveness
The degree to which offsetting changes in fair value or cash flows attributable to a hedged risk are achieved by the hedging instrument.

Efficient Dynamics
The aim of Efficient Dynamics is to reduce consumption and emissions whilst simultaneously increasing dynamics and performance. This involves a holistic approach to achieving optimum automobile potential, ranging from efficient engine technologies and lightweight construction to comprehensive energy and heat management inside the vehicle.

Equity ratio
The proportion of equity (= subscribed capital, reserves, accumulated other equity and minority interest) to the balance sheet total.

Free cash flow
Free cash flow corresponds to the cash inflow from operating activities of the Automotive segment less the cash outflow for investing activities of the Automotive segment adjusted for net investment in marketable securities.

Gross margin
Gross profit as a percentage of revenues.

IFRSs
International Financial Reporting Standards, intended to ensure global comparability of financial reporting and consistent presentation of financial statements. The IFRSs are issued by the International Accounting Standards Board and include the International Accounting Standards (IASs), which are still valid.

Operating cash flow
Cash inflow from the operating activities of the Automotive segment.

Preferred stock
Stock which receives a higher dividend than common stock, but without voting rights.

Production network
The BMW Group production network consists worldwide of 17 plants, seven assembly plants and one contract production plant. Within this network, the plants supply one another with systems and components and are all characterised by a high level of productivity, agility and flexibility.

Rating
Standardised evaluation of a company's credit standing which is widely accepted on the global capital markets. Ratings are published by independent rating agencies, e.g. Standard & Poor's or Moody's, based on their analysis of a company.

Return on sales
Pre-tax: Profit before tax as a percentage of revenues.
Post-tax: Profit as a percentage of revenues.

Risk management
An integral component of all business processes. Following enactment of the German Law on Control and Transparency within Businesses (KonTraG), all companies listed on a stock exchange in Germany are required to set up a risk management system. The purpose of this system is to identify risks at an early stage which could have a significant adverse effect on the assets, liabilities, financial position and results of operations, and which could endanger the continued existence of the Company. This applies in particular to transactions involving risk, errors in accounting or financial reporting and violations of legal requirements. The Board of Management is required to set up an appropriate system, to document that system and monitor it regularly with the aid of the internal audit department.

Sales locations
Sales locations include separate legal entities, non-separate entities and regional offices. In addition, 105 markets are serviced by 97 importers.

Subsidiaries
Subsidiaries are those enterprises which, either directly or indirectly, are under the uniform control of the management of BMW AG or in which BMW AG, either directly or indirectly
- holds the majority of the voting rights
- has the right to appoint or remove the majority of the members of the Board of Management or equivalent governing body, and in which BMW AG is at the same time (directly or indirectly) a shareholder
- has control (directly or indirectly) over another enterprise on the basis of a control agreement or a provision in the statutes of that enterprise.

Supplier relationship management
Supplier relationship management (SRM) uses focused procurement strategies to organise networked supplier relationships, optimise processes for supplier qualification and selection, ensure the application of uniform standards throughout the Group and create efficient sourcing and procurement processes along the whole value added chain.

Sustainability
Sustainability, or sustainable development, gives equal consideration to ecological, social and economic development. In 1987 the United Nations "World Commission on Environment and Development" defined sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The economic relevance of corporate sustainability to the BMW Group is evident in three areas: resources, reputation and risk.

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This version of the Annual Report is a translation from the German version. Only the original German version is binding.

VEHICLE FLEET Consumption and emissions data of BMW Group vehicles

Values measured on the basis of the New European Driving Cycle (EU Directive no. 692/2008 in the relevant applicable version). Valid for vehicles with a European country specification. All engines comply with EU-5 emission standards (exceptions are indicated by a footnote).

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
BMW				
1 Series Fivedoor				
116i	7.2–7.1 (7.4–7.2)	4.8–4.6 (4.8–4.7)	5.7–5.5 (5.8–5.6)	132–129 (134–131)
118i	7.6–7.5 (7.4–7.2)	4.9–4.8 (4.8–4.7)	5.9–5.8 (5.8–5.6)	137–134 (134–131)
125i	8.6 (8.2)	5.4 (5.3)	6.6 (6.4)	154 (149)
116d	5.4–5.3 (5.5–5.3)	3.9–3.8 (4.0–3.8)	4.5–4.3 (4.5–4.4)	117–114 (119–115)
116d EfficientDynamics Edition[1]	4.4	3.4	3.8	99
118d	5.5–5.4 (5.5–5.3)	3.9–3.8 (4.0–3.9)	4.5–4.4 (4.5–4.4)	118–115 (119–116)
120d	5.7–5.6 (5.3–5.2)	4.0–3.9 (4.1–3.9)	4.6–4.5 (4.5–4.4)	122–119 (119–116)
125d	6.0 (5.7)	4.3 (4.2)	4.9 (4.8)	129 (126)
1 Series Coupé				
120i	8.5 (8.9)	5.3 (5.3)	6.5 (6.6)	152 (154)
125i	11.8 (11.6)	5.9 (6.1)	8.1 (8.1)	189 (189)
135i	12.1 (11.7)	6.4 (6.7)	8.5 (8.5)	198 (198)
118d	5.3 (6.7)	4.0 (4.5)	4.5 (5.3)	118 (140)
120d	5.9 (6.7)	4.0 (4.5)	4.7 (5.3)	124 (140)
123d	6.4 (6.9)	4.3 (4.7)	5.1 (5.5)	134 (145)
1er M Coupé[1]	13.6	7.3	9.6	224
1 Series Convertible				
118i	8.4 (9.1)	5.4 (5.6)	6.5 (6.9)	152 (162)
120i	8.8 (9.4)	5.6 (5.6)	6.8 (7.0)	158 (163)
125i	12.0 (11.8)	6.2 (6.3)	8.3 (8.3)	194 (194)
135i	12.2 (11.8)	6.5 (6.8)	8.6 (8.6)	200 (200)
118d	5.7 (6.9)	4.3 (4.7)	4.8 (5.5)	127 (145)
120d	6.2 (6.9)	4.3 (4.7)	5.0 (5.5)	132 (145)
123d	6.6 (7.1)	4.5 (4.8)	5.3 (5.7)	139 (149)
3 Series Sedan				
320i	8.4–8.2 (7.9–7.7)	5.0–4.9 (4.9–4.8)	6.3–6.1 (6.0–5.9)	147–144 (141–138)
328i	8.5 (8.2)	5.2 (5.2)	6.4 (6.3)	149 (147)
335i	11.1 (10.2)	6.1 (5.5)	7.9 (7.2)	186 (169)
316d	5.5–5.4 (5.4)	3.9–3.7 (3.9–3.8)	4.5–4.3 (4.4)	118–114 (117–116)
318d	5.5 (5.4)	3.9–3.8 (3.9)	4.5–4.4 (4.5–4.4)	118–116 (118–117)
320d	5.8 (5.4)	3.8 (3.9)	4.6–4.5 (4.5–4.4)	120–119 (118–117)
320d EfficientDynamics Edition	5.2 (5.0)	3.5 (3.6)	4.1 (4.1)	109 (109)
3 Series Touring				
318i	8.1 (8.9)	5.3 (5.6)	6.3 (6.8)	147 (159)
320i	8.3 (9.5)	5.3 (5.5)	6.4 (7.0)	149 (164)
325i	9.9 (10.2)	5.8 (6.1)	7.3 (7.6)	170 (178)
325i xDrive	11.1 (11.2)	6.5 (6.6)	8.2 (8.3)	190 (194)
330i	10.2 (10.7)	6.1 (6.2)	7.6 (7.9)	177 (184)
330i xDrive	11.2 (11.3)	6.6 (6.7)	8.3 (8.4)	193 (195)
335i	12.1 (12.6)	6.4 (6.5)	8.5 (8.7)	199 (203)
335i xDrive	12.4 (13.2)	6.7 (6.9)	8.8 (9.2)	206 (215)
316d[1]	5.4	4.0	4.5	119
318d	5.4 (6.9)	4.0 (4.5)	4.5 (5.4)	120 (142)
320d	6.0 (6.9)	4.1 (4.5)	4.8 (5.4)	128 (142)
320d xDrive	6.5 (7.3)	4.6 (4.9)	5.3 (5.8)	140 (153)
320d EfficientDynamics Edition[1]	5.2	3.8	4.3	114
325d	7.4 (8.0)	4.9 (5.2)	5.8 (6.2)	153 (163)
330d	7.5 (8.1)	5.0 (5.3)	5.9 (6.3)	155 (165)
330d xDrive	8.4 (8.9)	5.6 (5.8)	6.6 (6.9)	174 (181)
335d[2]	9.1	5.3	6.7	176
3 Series Coupé				
318i[1]	8.1	5.3	6.3	146
320i	8.6 (9.3)	5.4 (5.3)	6.6 (6.8)	154 (159)
325i	9.8 (10.0)	5.7 (5.9)	7.2 (7.4)	168 (174)
325i xDrive	11.0 (11.1)	6.4 (6.5)	8.1 (8.2)	188 (192)
330i	10.0 (10.2)	5.9 (5.9)	7.4 (7.5)	173 (175)
330i xDrive	11.1 (11.2)	6.5 (6.6)	8.2 (8.3)	191 (193)
335i	12.0 (11.8)	6.3 (6.4)	8.4 (8.4)	196 (196)
335i xDrive	12.4 (13.1)	6.7 (6.8)	8.8 (9.1)	205 (212)
320d	5.9 (6.8)	4.0 (4.4)	4.7 (5.3)	125 (140)
320d xDrive	6.4 (7.2)	4.5 (4.8)	5.2 (5.7)	137 (150)
325d	7.3 (7.9)	4.8 (5.1)	5.7 (6.1)	151 (160)
330d	7.3 (8.0)	4.8 (5.2)	5.7 (6.2)	152 (164)
330d xDrive	8.3 (8.8)	5.5 (5.7)	6.5 (6.8)	171 (178)
335d[2]	9.0	5.2	6.6	174
M3	17.7 (15.9)	9.3 (8.5)	12.4 (11.2)	290 (263)

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
BMW				
3 Series Convertible				
318i[1]	8.4	5.6	6.6	154
320i	8.8 (9.8)	5.6 (5.8)	6.8 (7.3)	159 (169)
325i	10.2 (10.6)	5.9 (6.3)	7.5 (7.9)	176 (185)
330i	10.5 (11.1)	6.2 (6.5)	7.8 (8.2)	182 (190)
335i	12.4 (12.2)	6.7 (6.8)	8.8 (8.8)	205 (205)
320d	6.3 (7.1)	4.4 (4.7)	5.1 (5.6)	135 (149)
325d	7.7 (8.2)	5.2 (5.4)	6.1 (6.4)	160 (168)
330d	7.7 (8.2)	5.2 (5.4)	6.1 (6.4)	162 (170)
M3	18.0 (16.0)	9.6 (8.9)	12.7 (11.5)	297 (269)
5 Series Sedan				
520i	9.2–8.9 (8.6–8.3)	5.7–5.5 (5.5–5.3)	7.0–6.8 (6.7–6.4)	163–157 (155–149)
528i	9.4–9.1 (8.9–8.6)	5.8–5.5 (5.5–5.3)	7.1–6.8 (6.8–6.5)	165–159 (158–152)
528i xDrive[2]	9.5–9.2	5.9–5.7	7.2–7.0	168–162
530i	10.4–10.2 (10.3–10.1)	6.3–6.1 (6.0–5.9)	7.8–7.6 (7.6–7.4)	182–177 (178–173)
535i	11.4–11.1 (10.7–10.4)	6.5–6.3 (6.2–6.0)	8.3–8.1 (7.9–7.6)	194–188 (183–177)
535i xDrive[2]	11.0–10.8	6.5–6.3	8.2–8.0	190–185
550i[2]	15.5–15.4	7.5	10.4	243–242
550i xDrive[2]	16.4	7.9	11.0	257–256
520d	5.9–5.7 (5.9–5.7)	4.4–4.2 (4.3–4.1)	4.9–4.8 (4.9–4.7)	130–125 (129–123)
520d EfficientDynamics Edition[2]	5.6	3.9	4.5	119
525d	6.6–6.2 (5.9–5.6)	4.5–4.3 (4.5–4.3)	5.3–5.0 (5.0–4.8)	138–132 (132–126)
525d xDrive[2]	6.2–6.0	4.8–4.6	5.3–5.1	140–134
530d	7.4–7.2 (6.6–6.4)	5.1–4.7 (4.8–4.6)	5.9–5.7 (5.5–5.3)	155–149 (145–139)
530d xDrive[2]	6.7–6.5	5.2–5.0	5.8–5.5	152–146
535d [2]	6.7–6.5	5.0–4.8	5.6–5.4	148–142
535d xDrive[2]	7.1–6.8	5.3–5.0	5.9–5.7	156–149
M5[8]	14.0	7.6	9.9	232
ActiveHybrid 5[2]	6.2–5.7	7.4–6.7	7.0–6.4	163–149
M550d xDrive[2, 9]	7.1	5.8	6.3	165
5 Series Touring				
520i	9.6–9.2 (9.1–8.7)	6.0–5.7 (5.8–5.5)	7.3–7.0 (7.0–6.7)	170–163 (163–156)
528i	9.7–9.4 (9.4–9.0)	6.0–5.8 (5.8–5.5)	7.4–7.1 (7.1–6.8)	172–165 (166–159)
528i xDrive[2]	9.9–9.5	6.2–5.9	7.6–7.3	176–169
530i	10.9–10.5 (10.7–10.3)	6.6–6.3 (6.3–6.0)	8.2–7.9 (7.9–7.6)	190–183 (184–177)
535i	11.6–11.2 (10.8–10.4)	6.6–6.4 (6.3–6.1)	8.5–8.2 (8.0–7.7)	197–190 (186–179)
535i xDrive[2]	11.5–11.2	6.8–6.7	8.5–8.3	199–194
550i[2]	15.8	7.8–7.7	10.7	250–249
520d	6.2–5.9 (6.3–5.9)	4.6–4.4 (4.5–4.3)	5.2–4.9 (5.2–4.9)	137–130 (136–129)
525d	6.9–6.6 (6.3–6.0)	4.7–4.5 (4.8–4.6)	5.5–5.3 (5.4–5.1)	145–138 (142–135)
525d xDrive[2]	6.7–6.4	5.1–4.9	5.7–5.4	150–143
530d	7.6–7.3 (7.0–6.7)	5.3–5.1 (5.0–4.8)	6.2–5.9 (5.8–5.5)	162–155 (152–145)
530d xDrive[2]	6.9–6.6	5.4–5.1	5.9–5.7	156–149
535d[2]	7.1–6.7	5.2–5.0	5.9–5.6	155–148
535d xDrive[2]	7.5–7.1	5.5–5.3	6.2–5.9	163–156
M550d xDrive[2, 9]	7.2	6.0	6.4	169
5 Series Gran Turismo				
535i[2]	12.3	6.9	8.9	209
535i xDrive[2]	12.8	7.2	9.3	216
550i[2]	16.2	8.3	11.2	263
550i xDrive[2]	16.9	8.8	11.8	275
530d[2]	8.1	5.6	6.5	173
530d xDrive[2]	8.5	6.0	6.9	183
535d[2]	8.3	5.8	6.7	175
535d xDrive[2]	8.9	6.1	7.1	187
6 Series Coupé				
640i[3]	10.5–10.3	6.2–6.0	7.8–7.6	181–177
650i[3]	15.5–15.4	7.7	10.6–105	246–245
650i xDrive[3]	16.5	8.3–8.2	11.3	263–262
640d[3]	6.7–6.6	4.8	5.5–5.4	145–143
640d xDrive[3]	7.1–6.9	5.1–5.0	5.8–5.7	153–149
M6[8]	14.4	7.9	10.3	239
6 Series Convertible				
640i[3]	10.9–10.7	6.2–6.1	7.9–7.8	185–181
650i[3]	15.5	7.9–7.8	10.7–10.6	249–248
650i xDrive[3]	16.6	8.5–8.4	11.5–11.4	267–266

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
BMW				
640d[3]	6.9–6.8	4.9	5.7–5.6	149–147
640d xDrive[3]	7.3–7.1	5.2–5.1	6.0–5.9	158–154
6 Series Gran Coupé				
640i[3]	10.7–10.5	6.2–6.0	7.9–7.7	183–179
650i[3, 7]	–	–	8.8–8.6	206–199
650i xDrive[3, 7]	–	–	9.4–9.2	219–215
640d[3]	6.9–6.8	4.9–4.8	5.7–5.5	149–146
7 Series				
740i[2]	13.8	7.6	9.9	232
740Li[2]	14.0	7.7	10.0	235
750i[2]	16.4	8.5	11.4	266
750i xDrive[2]	17.1	8.9	11.9	278
750Li[2]	16.4	8.5	11.4	266
750Li xDrive[2]	17.1	8.9	11.9	278
760i[2]	18.8	9.5	12.9	299
760Li[2]	18.9	9.6	13.0	303
730d[2]	9.0	5.5	6.8	178
730Ld[2]	9.1	5.6	6.9	180
740d[2]	9.0	5.7	6.9	181
740d xDrive[2]	8.8	5.9	7.0	183
ActiveHybrid 7[2]	12.6	7.6	9.4	219
ActiveHybrid 7 L[2]	12.6	7.6	9.4	219
X1				
X1 sDrive18i	11.3 (11.5)	6.4 (6.6)	8.2 (8.4)	191 (195)
X1 sDrive20i	9.1 (9.4)	5.9 (5.8)	7.1 (7.1)	165 (165)
X1 xDrive20i	9.7 (10.1)	6.5 (6.1)	7.7 (7.6)	179 (177)
X1 xDrive28i	9.9 (10.4)	6.7 (6.4)	7.9 (7.9)	183 (183)
X1 sDrive18d	6.1 (7.1)	4.7 (5.2)	5.2 (5.9)	136 (155)
X1 xDrive18d	6.7 (7.7)	5.1 (5.4)	5.7 (6.2)	150 (164)
X1 sDrive20d	6.4 (7.1)	4.7 (5.2)	5.3 (5.9)	139 (155)
X1 sDrive20d EfficientDynamics Edition[1]	5.2	4.1	4.5	119
X1 xDrive20d	7.0 (7.7)	5.1 (5.4)	5.8 (6.2)	153 (164)
X1 xDrive23d	7.3 (7.8)	5.2 (5.5)	6.0 (6.3)	158 (167)
X3				
X3 xDrive20i	9.9 (8.9)	6.7 (6.7)	7.9 (7.5)	184 (175)
X3 xDrive28i[2, 4]	12.3	7.1	9.0	210
X3 xDrive35i[2]	11.2	7.4	8.8	204
X3 xDrive20d	6.7 (6.1)	5.0 (5.3)	5.6 (5.6)	149 (147)
X3 xDrive30d[2]	6.8	5.6	6.0	159
X3 xDrive35d[2]	6.7	5.8	6.1	162
X5				
X5 xDrive35i[2]	13.2	8.3	10.1	236
X5 xDrive50i[2]	17.5	9.6	12.5	292
X5 xDrive30d[2]	8.7	6.7	7.4	195
X5 xDrive40d[2]	8.8	6.8	7.5	198
X5 M[5]	19.3	10.8	13.9	325
X5 M50d[2, 6]	8.8	6.8	7.5	199
X6				
X6 xDrive35i[2]	13.2	8.3	10.1	236
X6 xDrive50i[2]	17.5	9.6	12.5	292
X6 xDrive30d[2]	8.7	6.7	7.4	195
X6 xDrive40d[2]	8.8	6.8	7.5	198
X6 M[5]	19.3	10.8	13.9	325
X6 M50d[3, 6]	9.0	7.0	7.7	204
Z4				
Z4 sDrive20i	8.9 (9.1)	5.6 (5.5)	6.8 (6.8)	159 (159)
Z4 sDrive28i	8.9 (9.1)	5.6 (5.5)	6.8 (6.8)	159 (159)
Z4 sDrive35i	13.5 (12.6)	7.0 (6.9)	9.4 (9.0)	219 (210)
Z4 sDrive35is[2]	12.6	6.9	9.0	210

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
MINI				
MINI Hatch				
MINI One 55kW[1]	7.2–6.6	4.4	5.4–5.2	127–121
MINI One MINIMALIST 55kW[1]	6.5	4.3	5.1	119
MINI One 72kW	7.2–6.6 (8.7)	4.4 (5.1)	5.4–5.2 (6.4)	127–121 (150)
MINI One MINIMALIST 72kW[1]	6.5	4.3	5.1	119
MINI One D[1]	4.2	3.5	3.8	99
MINI Cooper	6.9 (8.7)	4.6 (5.1)	5.4 (6.4)	127 (150)
MINI Cooper D	4.2 (6.8)	3.5 (4.1)	3.8 (5.1)	99 (135)
MINI Cooper S	7.3 (8.9)	5.0 (5.0)	5.8 (6.4)	136 (149)
MINI Cooper SD	5.1 (6.9)	3.9 (4.3)	4.3 (5.3)	114 (139)
MINI John Cooper Works[1]	9.4	5.8	7.1	165
MINI Coupé				
MINI Cooper	6.9 (8.7)	4.6 (5.1)	5.4 (6.4)	127 (150)
MINI Cooper S	7.3 (8.9)	5.0 (5.0)	5.8 (6.4)	136 (149)
MINI Cooper SD	5.1 (6.9)	3.9 (4.3)	4.3 (5.3)	114 (139)
MINI John Cooper Works[1]	9.4	5.8	7.1	165
MINI Convertible				
MINI One	7.6–6.9 (8.9)	4.6 (5.3)	5.7–5.4 (6.6)	133–127 (154)
MINI Cooper	7.2 (8.9)	4.9 (5.3)	5.7 (6.6)	133 (154)
MINI Cooper D	4.5 (7.0)	3.7 (4.3)	4.0 (5.3)	105 (140)
MINI Cooper S	7.5 (9.1)	5.1 (5.1)	6.0 (6.6)	139 (153)
MINI Cooper SD	5.3 (7.1)	4.0 (4.4)	4.5 (5.4)	118 (143)
MINI John Cooper Works[1]	9.6	5.9	7.3	169
MINI Roadster				
MINI Cooper	7.2 (8.9)	4.9 (5.3)	5.7 (6.6)	133 (154)
MINI Cooper S	7.5 (9.1)	5.1 (5.1)	6.0 (6.6)	139 (153)
MINI Cooper SD	5.3 (7.1)	4.0 (4.4)	4.5 (5.4)	118 (143)
MINI John Cooper Works[1]	9.6	5.9	7.3	169
MINI Clubman				
MINI One	7.3–6.8 (8.8)	4.5 (5.2)	5.5–5.3 (6.5)	129–124 (152)
MINI One D[1]	4.4	3.6	3.9	103
MINI Cooper	7.0 (8.8)	4.7 (5.2)	5.5 (6.5)	129 (152)
MINI Cooper D	4.4 (6.9)	3.6 (4.2)	3.9 (5.2)	103 (138)
MINI Cooper S	7.4 (8.9)	5.0 (5.0)	5.9 (6.4)	137 (150)
MINI Cooper SD	5.2 (7.0)	3.9 (4.3)	4.4 (5.3)	115 (141)
MINI John Cooper Works[1]	9.5	5.8	7.2	167
MINI Countryman				
MINI One	7.4 (9.3)	5.2 (6.0)	6.0 (7.2)	139 (168)
MINI One D[1]	4.7	4.2	4.4	115
MINI Cooper	7.4 (9.3)	5.2 (6.0)	6.0 (7.2)	140 (168)
MINI Cooper D	4.7 (7.2)	4.2 (4.7)	4.4 (5.6)	115 (149)
MINI Cooper S	7.5 (9.5)	5.4 (5.7)	6.1 (7.1)	143 (166)
MINI Cooper S ALL4	8.2 (10.3)	5.8 (6.2)	6.7 (7.7)	157 (180)
MINI Cooper SD Countryman	5.2 (7.3)	4.3 (4.8)	4.6 (5.7)	122 (150)
MINI Cooper D ALL4 Countryman	5.3 (7.6)	4.7 (5.0)	4.9 (6.0)	129 (158)
MINI Cooper SD ALL4 Countryman	5.3 (7.7)	4.7 (5.1)	4.9 (6.1)	130 (160)

Model	Urban (l/100 km)	Extra-urban (l/100 km)	Combined (l/100 km)	CO_2 emissions (g/km)
Rolls-Royce				
Rolls-Royce Ghost[2]	20.5	9.6	13.6	317
Rolls-Royce Ghost EWB[2]	20.5	9.7	13.7	319
Rolls-Royce Phantom[2]	25.0	11.5	16.5	385
Rolls-Royce Phantom EWB[2]	25.1	11.7	16.6	388
Rolls-Royce Phantom Coupé[2]	25.0	11.5	16.5	385
Rolls-Royce Phantom Drophead Coupé[2]	25.0	11.5	16.5	385

Figures in brackets only valid for automatic transmissions.
[1] Only available with manual transmission
[2] Only available with automatic transmission
[3] With sport automatic transmission
[4] From April 2012 with 4-cylinder engine (previously with 6-cylinder engine)
[5] With M sport automatic transmission as standard
[6] Available from April 2012
[7] Expected to be available in the 3rd quarter of 2012
[8] With dual clutch transmission as standard
[9] With EU-6 compliance as standard

Further information and constantly updated data for the vehicles is available on the Internet at www.bmw.com, www.mini.com and www.rolls-roycemotorcars.com.

As of model year 2012

Financial Calendar

Annual Accounts Press Conference	13 March 2012
Analyst and Investor Conference	14 March 2012
Quarterly Report to 31 March 2012	3 May 2012
Annual General Meeting	16 May 2012
Quarterly Report to 30 June 2012	1 August 2012
Quarterly Report to 30 September 2012	6 November 2012

Annual Report 2012	19 March 2013
Annual Accounts Press Conference	19 March 2013
Analyst and Investor Conference	20 March 2013
Quarterly Report to 31 March 2013	2 May 2013
Annual General Meeting	14 May 2013
Quarterly Report to 30 June 2013	1 August 2013
Quarterly Report to 30 September 2013	5 November 2013

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The BMW Group on the Internet

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

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A FURTHER CONTRIBUTION TOWARDS PRESERVING RESOURCES

BMW Group Annual Report 2011 awarded the Blue Angel eco-label. The paper used (Enviro Top and Nanoo Color) was produced, climate-neutrally and without optical brighteners and chlorine bleach, from recycled waste paper. All other production materials used also comply with the requirements of the Blue Angel eco-label (RAL-UZ 14). The Blue Angel is considered to be one of the most stringent eco-labels in the world.

The CO_2 emissions generated through print and production were neutralised by the BMW Group. To this end, the corresponding amount of emissions allowances was erased, with the transaction identification DE-113400 on 23 February 2012.

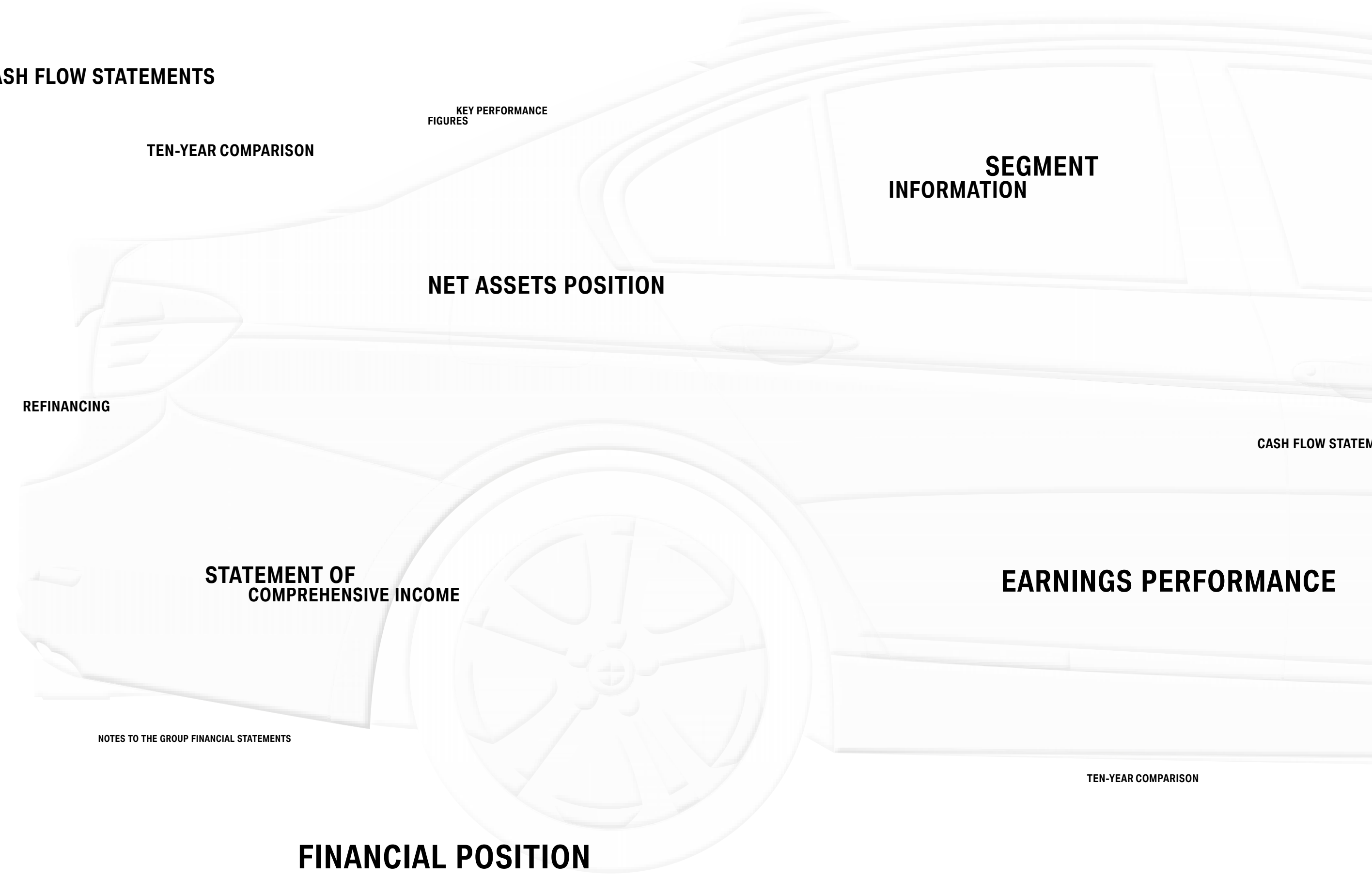
CORPORATE GOVERNANCE

REFINANCING

CASH FLOW STATEMENTS

KEY PERFORMANCE FIGURES

TEN-YEAR COMPARISON



FINANCIAL POSITION

KEY PERFORMANCE FIGURES

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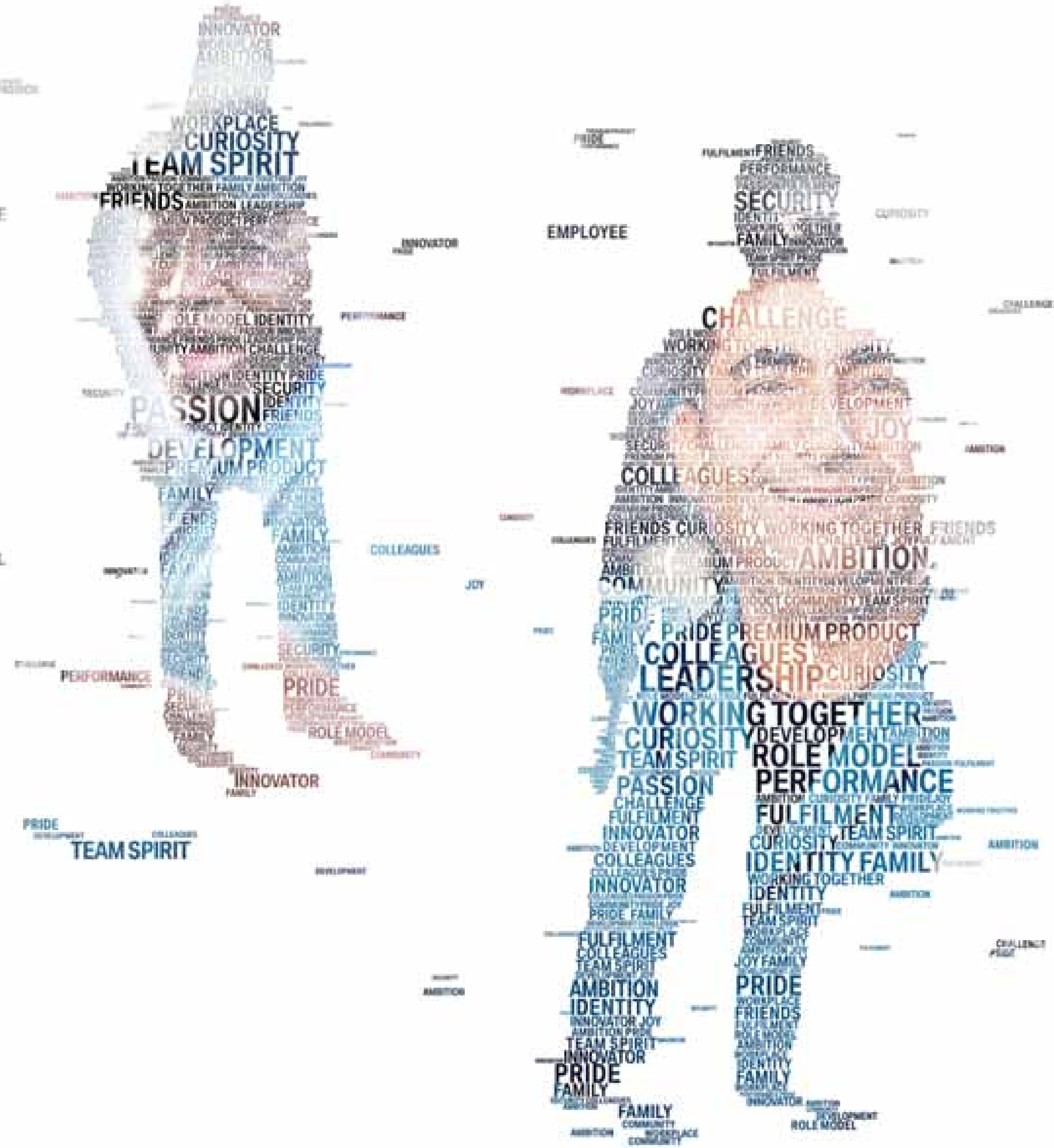
WHAT DRIVES US
2011 BMW GROUP

BMW
GROUP

Rolls-Royce
Motor Cars Limited


INNOVATOR
WORKPLACE
AMBITION
CURIOSITY
TEAM SPIRIT
FRIENDS
ROLE MODEL IDENTITY
PASSION
SECURITY
DEVELOPMENT
PREMIUM PRODUCT
FAMILY
COLLEAGUES
JOY
PERFORMANCE
PRIDE
ROLE MODEL
INNOVATOR
PRIDE
TEAM SPIRIT
FULFILMENT FRIENDS
PERFORMANCE
SECURITY
FAMILY
EMPLOYEE
CHALLENGE
COLLEAGUES
FRIENDS CURIOSITY WORKING TOGETHER FRIENDS
AMBITION
COMMUNITY
PRIDE PREMIUM PRODUCT
COLLEAGUES
LEADERSHIP CURIOSITY
WORKING TOGETHER
CURIOSITY DEVELOPMENT
TEAM SPIRIT ROLE MODEL
PASSION PERFORMANCE
CHALLENGE
FULFILMENT
INNOVATOR
DEVELOPMENT
COLLEAGUES
IDENTITY FAMILY
INNOVATOR
WORKING TOGETHER
IDENTITY
FULFILMENT
AMBITION
IDENTITY
PRIDE
FRIENDS
TEAM SPIRIT
INNOVATOR
PRIDE
FAMILY
FAMILY
INNOVATOR
ROLE MODEL

Dear Readers,

To many people, a car is more than just a way of getting from A to B. To them, individual mobility stands for freedom and self-expression. This is precisely the feeling our BMW slogan “Sheer driving pleasure” represents.

This yearbook features three stories, offering examples that highlight the broad spectrum of experiences individuals have with our products.

1. Moments of sheer pleasure

A passion for individual mobility is in our DNA. It is something all BMW Group associates have in common and is found in every one of our vehicles. It is something our customers can feel. And, of course, our customers are our top priority. Only they can decide whether or not to make a purchase. This is why customer focus guides our company.

In our “Moments of sheer pleasure” we captured nine of our customers on camera as they collected their new vehicles. What exactly makes their new BMW, MINI, Rolls-Royce or their motorcycle so fascinating? I invite you to take a look at this yearbook and watch the videos on our website to find out more.

Premium is our customer promise: outstanding products and exceptional quality, progressive design and technical innovations that benefit the customer and the environment. This section also showcases our Efficient Dynamics technology package, which has for years set the industry standard for lower fuel consumption and CO_2 emissions combined with high performance. We are motivated by the belief that every customer who drives one of our vehicles home is happy.

Norbert Reithofer
Chairman of the Board of Management

Nearly 1.67 million customers chose to buy one of our vehicles in 2011; and more than 113,000 individuals purchased a motorcycle.

On behalf of our associates and partners worldwide, I would like to thank every single one of them for their confidence in our brands.

2. World premiere of the new BMW 3 Series

The BMW 3 Series has been crucial in shaping the reputation of the BMW brand. The first BMW 3 Series rolled off the assembly line at the Munich plant in 1975. On October 14, 2011, some 5,000 associates gathered at the same location – together with the Board of Management and the Works Council – to celebrate the world premiere of its sixth generation. It was a moving event for all of us at the BMW Group, as the photos capture.

Over 80 countries are represented at our Munich location. Worldwide, we have associates from 90 different nationalities. It is the BMW spirit that unites us all. We are enthusiastic about our work and keen to contribute our ideas. But, more than anything else, we believe in our products and our company. This is part of our corporate culture. It is what makes us strong and unique. This is BMW.

3. Putting future trends on the roads

To define the mobility of tomorrow, we need to be clear about what our future customers want and what society expects from us.

For this reason, we are mindful of all our stakeholders and maintain an ongoing dialogue with a wide range of groups. We always strive to listen and learn. For example, you can read in this report how we talked to secondary-school students about how they plan to get around in the future. They developed their own unique visions of driving in urban settings, using new drive technologies and multi-media networking.

This is the starting point for the new BMW i family scheduled for launch in late 2013: the BMW i3 and the BMW i8 were designed from the start as pure electric vehicles or plug-in hybrids. At the same time, we are also revolutionising automobile construction through the wide-scale use of new materials such as carbon fibre.

Shaping individual mobility is, and will remain, a unique challenge, especially in times of change. We will respond to this challenge with our hearts, our minds and our passion – to ensure that our customers the world over can continue to experience sheer driving pleasure not only today but also in the future.

Yours

Norbert Reithofer

CONTENTS

Key technical data, fuel consumption and CO_2 emission ratings for the vehicles referred to in this report can be found on page 88 et seq.

Daniel Blesinger (left) collects his new 1 Series M Coupé at BMW Welt.
More moments of sheer pleasure, starting on page 67

We move people.

More than **90** nationalities worldwide

3,899 apprentices

100,306 associates

More than **80** nationalities at our Munich location

5 continents

9.6 per cent associates under 30

Over **140** countries with BMW Group presence

21.6 per cent associates over 50

16.1 per cent female associates

3 automobile brands

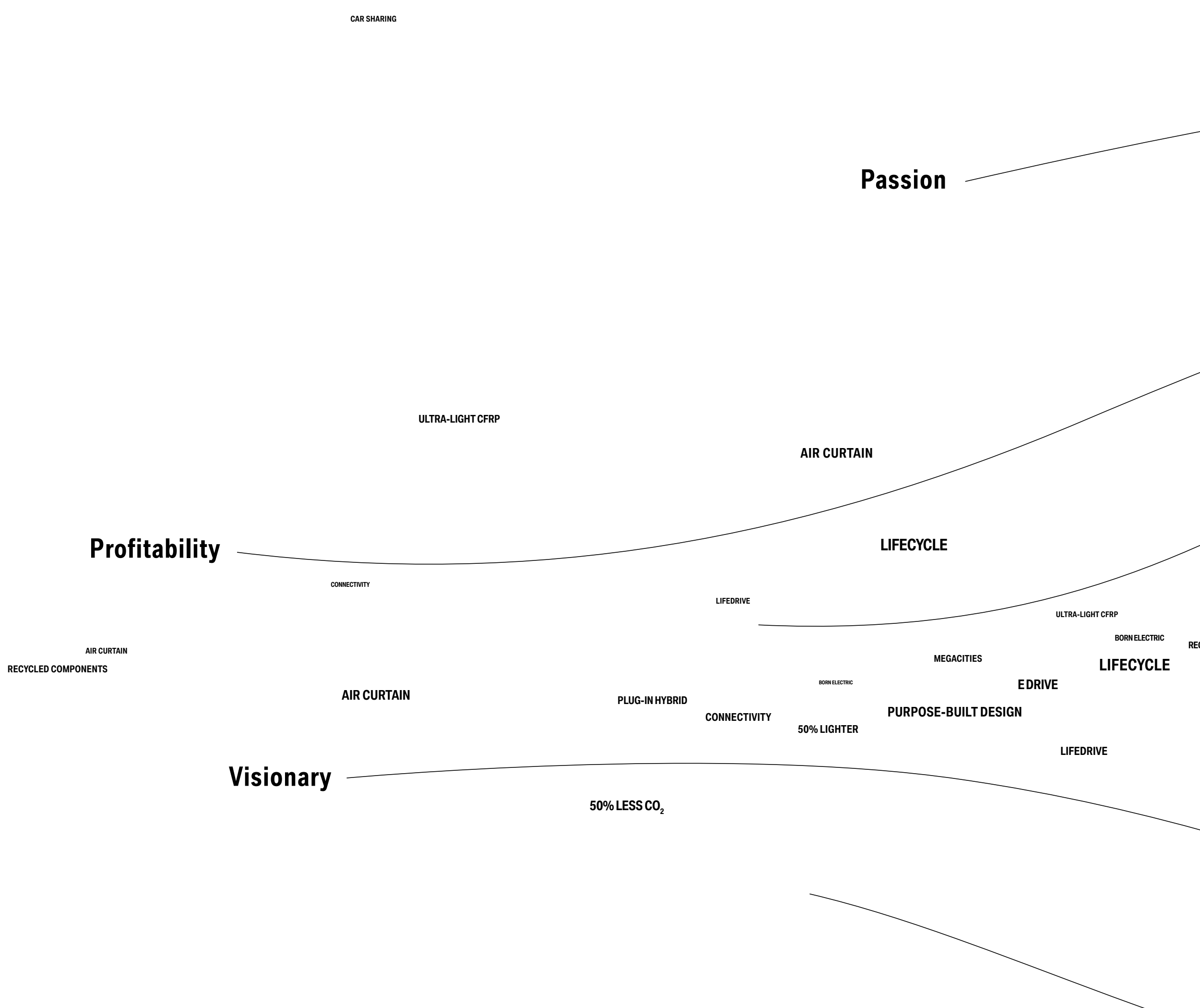
2 motorcycle brands

1 BMW GROUP

Many people move us.

We move people all over the world, and people move us. More than 100,000 associates around the globe come together every day to develop and manufacture the vehicles of the BMW Group and send them on their way to our customers. Their life stories and cultures are as diverse as the experience and ideas they bring with them. They are all driven by one vision:

to offer the best premium products in the world.

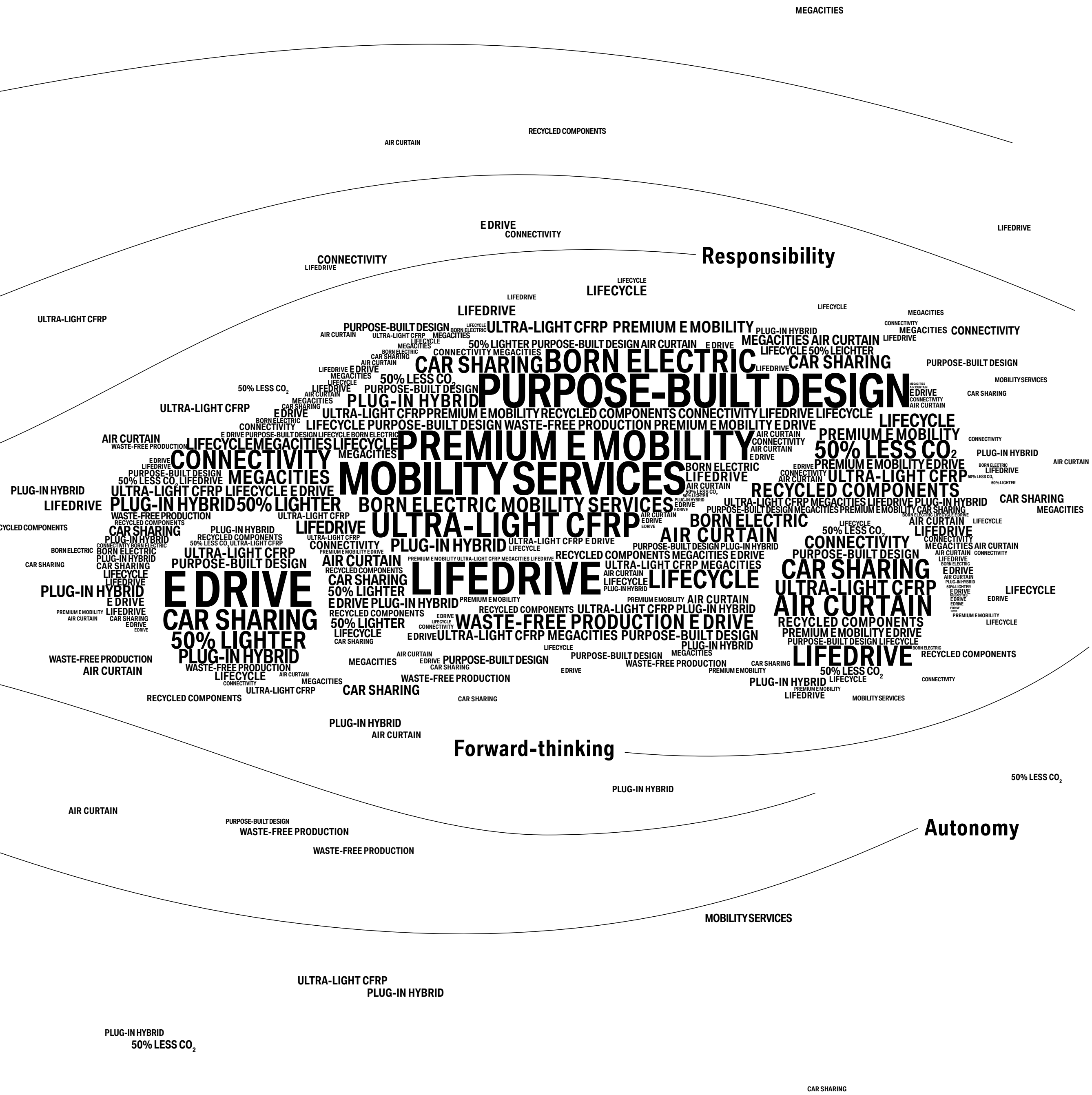


Many things drive us.

We aim to be the world's leading supplier of premium products and premium services for individual mobility. For us, that means finding answers today to questions about the mobility of tomorrow – listening, taking ideas a step further and acting with foresight. It means looking at the future as something we can shape today.

We embrace this responsibility in many different ways: towards our customers through pioneering products and services; towards society and the environment by developing sustainable forms of individual mobility; towards our associates by offering them a safe and rewarding job with the leading premium supplier.

Our awareness of this responsibility sustains us, moves us and drives us forward every single day.


Responsibility
Forward-thinking
Autonomy
PURPOSE-BUILT DESIGN
PREMIUM E MOBILITY
MOBILITY SERVICES
ULTRA-LIGHT CFRP
LIFEDRIVE
E DRIVE
BORN ELECTRIC
CAR SHARING
AIR CURTAIN
CONNECTIVITY
50% LIGHTER
50% LESS CO_2
RECYCLED COMPONENTS
WASTE-FREE PRODUCTION
PLUG-IN HYBRID
MEGACITIES
LIFECYCLE


ENDURO TE 310 WELTMEISTER 2011
COUPÉ MINI COOPER SD COUPÉ
ROLLS-ROYCE PHANTOM
2011 BMW X5 BMW X6 BMW X5 M BMW X6
COUPÉ MINI COOPER SD COUPÉ
MINI JOHN COOPER WORKS ROA
MINI COOPE R COUPÉ MINI COOPER S
BMW C 650 GT ROLLS-ROYCE PHANTOM
BMW X5 BMW X6 BMW X5 M BMW X6
BMW 1ER DREITÜRER BMW 1ER FÜNFTÜRER
BMW 1ER COUPÉ BMW 1ER CABRIO

We move people.

Passion. Precision. Dedication. Design excellence. Innovation. All of these and more go into every product we offer. That explains why our vehicles never cease to inspire. Last year, no fewer than 1.8 million people chose to buy a product from one of our four brands – more than ever before in the history of the company.

That means: 1.8 million moving moments. For us, for our associates and dealers, but most of all for the people who share our joy of driving.

Always in motion.

We never stand still, because there is always something we can improve on. There is always another idea waiting to be realised. More customers for our products to inspire. A future to be shaped.

That is what premium mobility means to us.

Driven to move others.

Three articles about people who reinvented and built the BMW 3 Series.

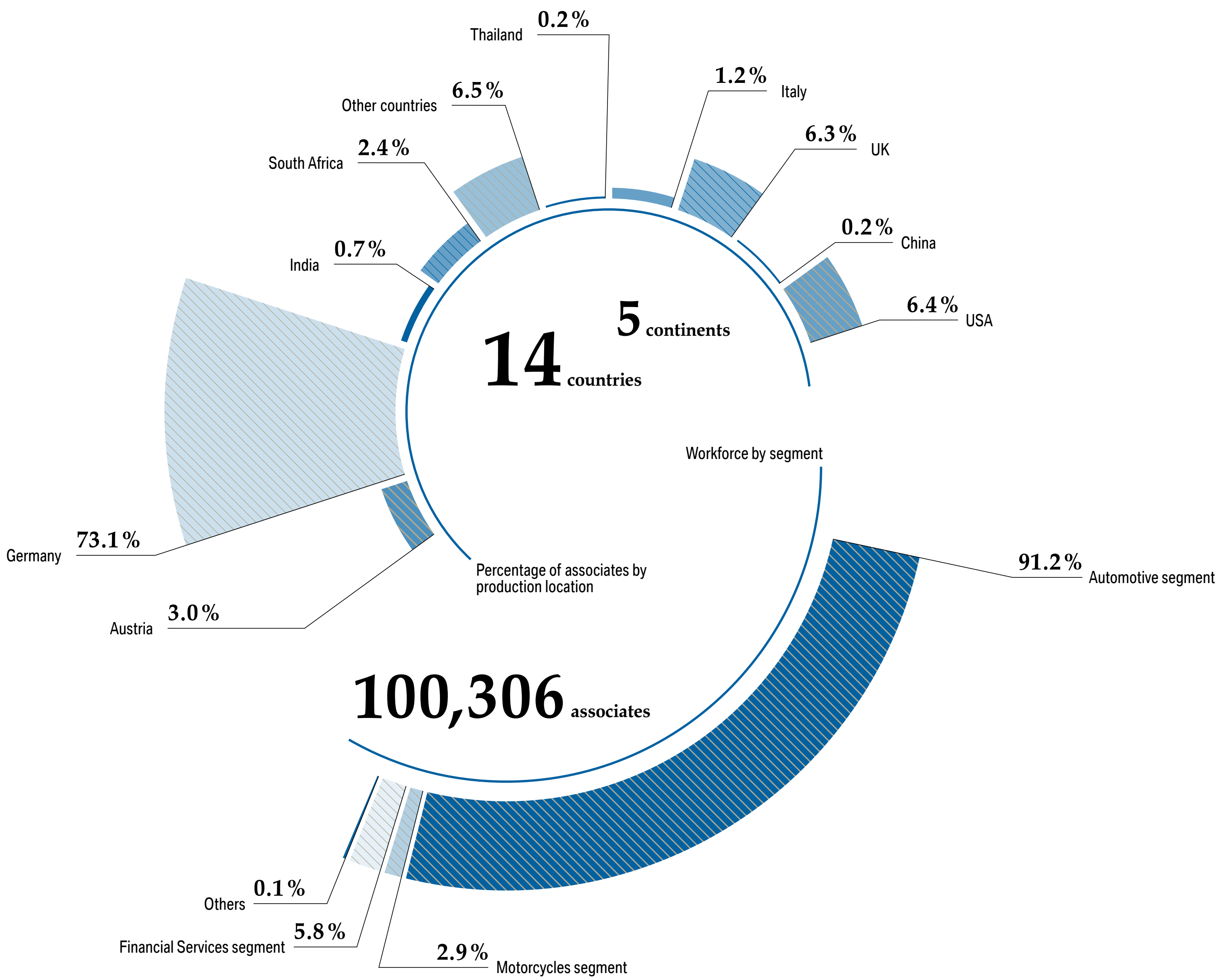
Scan the QR code to go directly to the online Annual Report for tablets.
http://annual-report2011.bmwgroup.com/bmwgroup/2011/passion

Stories about people and the role they played in the success of the new BMW 3 Series.

The Driving Experience Control developers.
The designers.
The men and women who build the new BMW 3 Series.

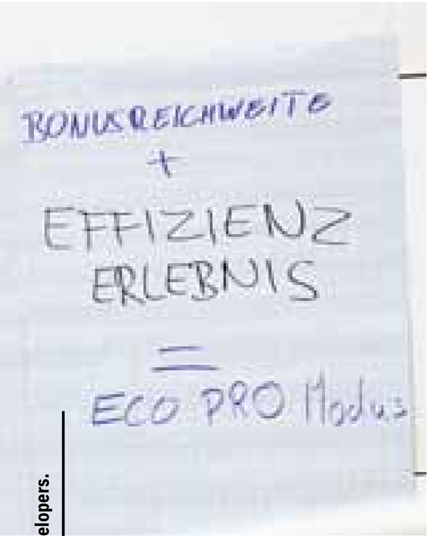
The more dynamic a company, the more attractive it is to people who want to move things forward, who strive for change and improvement – with the aim of creating sheer driving pleasure.

It's our passion.



BMW GROUP ASSOCIATES WORLDWIDE

The wide range of nationalities, cultures, views and languages among our associates is reflected in the diversity of their passions and experience. All of this ultimately goes into every one of our vehicles.



The Driving Experience Control developers.

1

How can you help drivers use their own cars as efficiently as possible? How can you persuade them to embrace a highly complex technology? BMW Group developers have achieved just that with the Driving Experience Control.

SHOWING THE EXTRA MILE

Fuel-efficient driving really pays off with the Driving Experience Control.

The first BMW Group vehicles to feature Efficient Dynamics as standard were launched several years ago. Since then, BMW Group developers have used brake energy to lower fuel consumption, devised technologies that activate electric loads only when needed, and, not least, continued to improve aerodynamics. In this way, they have created vehicles that are not only more dynamic, but also increasingly efficient to drive.

However, one factor that plays a key role in a car's fuel consumption is also the driver.

"We know that a vehicle with Efficient Dynamics can save even more fuel when the driver drives a certain way," says Norman Wiebking, head of Proactive Energy Management at the BMW Group. **"The only question is: How do we help drivers do that? How do we give them the tips they need without overloading them with information while they are driving?"** Another aspect, according to Silvia Patricia Ghella-Schröder, head of Energy Management, is that it is hard for drivers to grasp what the efficiency gained by driving a certain way really means. **"As a driver, the only thing that will motivate me to change my driving style is seeing for myself exactly how much fuel I am saving. Then, cruising becomes fun – especially when I can skip a fuel stop every now and again."**

The solution the BMW Group developers found is as technologically sophisticated as it is persuasive. At first glance, it is just a control in the centre console of the new BMW 3 Series that allows the driver to switch between a more dynamic SPORT mode and an ultra-efficient ECO PRO mode. In ECO PRO mode, the on-board computer displays tips on how to drive even more efficiently in current driving conditions – for instance, by optimising gear changes or accelerating more moderately. The driver sees how well he or she is doing from the "bonus range" displayed on the on-board computer. This shows how many extra miles have been accumulated by changing their driving style – and translates lower fuel consumption directly into even more driving pleasure.

All planned out: defensive driving can lower fuel consumption by up to 20 per cent.

Efficient
ambitious

System development

1 Five of more than 180 associates involved in developing the Driving Experience Control: Jürgen Geus, Driving Experience Control project manager; Jos van As, head of function design and integration of driving dynamics functions; Silvia Patricia Ghella-Schröder, head of energy management; Christian Popp, Driving Experience Control concept; and Dietrich Achilles, driving functions (from left to right).

System development

Driving experience

emotional

visionary

driving pleasure

transparent

tangible

Fuel-consumption display

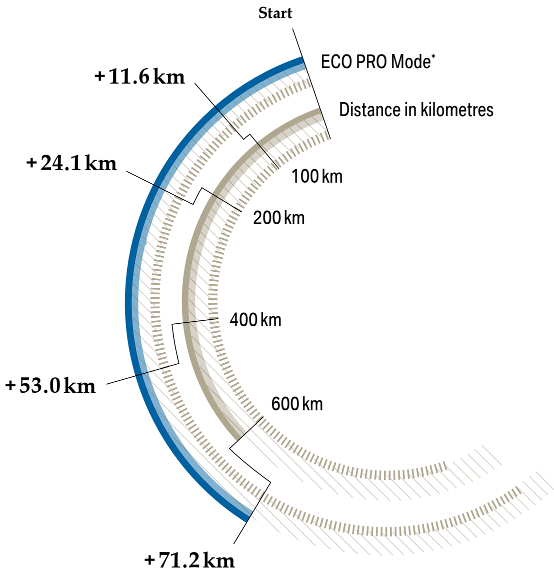
With the car's latest fuel consumption data always in view, the driver can adapt his or her driving style to achieve the desired level of consumption.

Driving Experience Control

The development team believes that this emotional experience is the key to fuel-efficient driving. **"Everyone wants to do something for the climate and the environment, especially when there is an instant reward – and you see that with the bonus range,"** explains Dr. Thomas Herpel, head of Display Control Concept Development. **"That's why we don't just call our innovation 'driving mode' but 'Driving Control Experience' – to ensure that saving fuel is associated with a positive and rewarding experience."**

The experience is activated at the touch of a button on the Driving Experience Control. However, for the control's developers this seemingly simple solution represents years of work, with more than 180 associates involved in the project at times. Every time the driver switches modes, several hundred parameters in the power train, chassis, assistance functions and on-board electronics have to be modified within a fraction of a second. **"What makes it even more complex, is that all of these parameters are interdependent,"** explains project manager Jürgen Geus. **"They all need to be perfectly in sync to ensure the vehicle retains its consistent character in each mode."**

Drivers are aware of none of this, of course, as they effortlessly shift from one mode to another without noticing a thing. But they do appreciate the freedom to choose between three different modes in one car. The ECO PRO mode allows drivers to enhance their fuel economy by up to 20 per cent – which translates into considerably less fuel consumption and more driving pleasure. According to Jos van As, head of function design and integration of driving dynamics functions, the initial response from customers has been so positive that the project team is already working on the next steps for the Driving Experience Control. **"Now that we have the drivers on our side, we can use more data from their surroundings to lower fuel consumption,"** explains Norman Wiebking. **"Greater efficiency will mean even more driving pleasure in the future."**



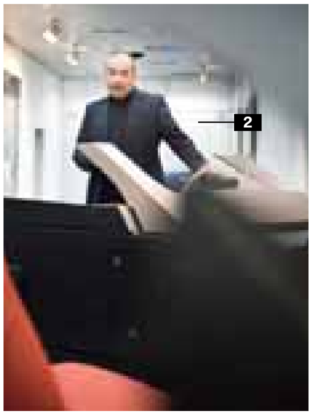
Every mile driven in ECO PRO mode is rewarded with additional range: for instance, 600 km earns an extra 71.2 km in range compared with COMFORT mode.

*Sample values

Looking ahead: the Efficient Dynamics display in the instrument cluster shows the driver how many extra miles have already been earned.

BORN DYNAMIC

The latest BMW 3 Series brings a new level of dynamic refinement to the 3 Series' great design tradition.



With its elegantly dynamic profile and attractive trim and equipment lines, this car is undeniably a product of the 3 Series family. And yet the newest BMW 3 Series certainly boasts its own unique style – thanks to an international team of BMW Group designers responsible for shaping every facet of the new model.

Felix Staudacher — 1

“For me, design is in the details. Even the tiniest detail, like an audio button, contributes to the overall impression.”

Volker Schrem — 2

“Many of our customers spend a lot of time in the car. For some, their car is their second home. So it is up to us to create an atmosphere inside where drivers can feel at home.”

Adrian van Hooydonk —

“The design of the new BMW 3 Series reimagines classic BMW design icons and forms a bridge between the model’s successful design history and a modern, precise aesthetic.”

Christian Bauer — 3

“We work with state-of-the-art CAD simulation programmes in the design department, of course. But no computer can realistically recreate the arcs and contours of such a complex vehicle, or the interplay of light and shadow. And so, classic tools, like paper, wood, tape and industrial clay, are still among the most important materials we work with.”

Christian Riech — 4

“The new BMW 3 Series is almost like a cosmopolitan young woman with a fine eye for beautiful accessories. A person with taste like that is not going to wear just any old shoes, but only those that truly express her personality. We developed accessories just like that – the wheel rims – for the BMW 3 Series. Anyone who has seen the car will confirm that it really paid off.”

Christopher Weil —— 5

"From the side, the BMW 3 Series Sedan appears to be all muscular surfaces and sweeping lines. This stretches the car visually, making it appear even more dynamic."

Ilona Gundel —— 7

"No one person is like anyone else, so why should everybody's cars have the same features? For the first time, the BMW 3 Series now offers three different trim lines – Modern, Sport and Luxury – with design elements specially tailored to different customer groups."

Oliver Heilmer —— 6

"Seven degrees. Not five, not nine – it has to be seven degrees. That is the exact angle the BMW 3 Series centre stack is tilted towards the driver. It may be just a detail – but it makes a difference to the sheer driving experience."

Marc Girard ——

"The dashboard's horizontal lines are characteristic for BMW. They give the interior structure and create a feeling of peace and lightness."


5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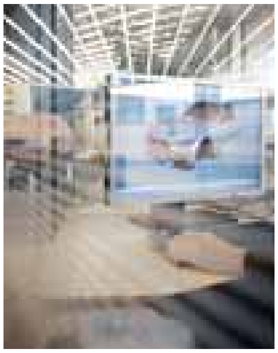


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10

Christopher Weil — 8

"When I think of BMW, I think of the BMW 3 Series. It is the definitive sports sedan for me."

Karim Habib — 9

"The new BMW 3 Series Sedan looks new and exciting, but you can still see its links with past generations."

Christian Bauer — 11

"We also carried the typical sportiness and agility of the BMW 3 Series over into the interior design. Its surfaces and flowing lines open up dynamically, guiding the eye towards the road. The dashboard's horizontal elements also create structure and harmony."

Felix Staudacher — 10

"The interior of the new 3 Series is classic BMW. Its strong driver orientation ensures easy access to all the main controls."

Manfred Meier — 12

"BMW stands for the emotional use of forms and the interplay of different surfaces that can only be developed on a real clay-model."

Marc Girard —— 13

“How do you visualise lightness? We built a layered wooden sculpture to represent our up to date answer to this question. It immediately brings the idea of multi-layering to life.”

Sebastian Morgenstern —— 14

“A lamp is a lamp – and therefore, first and foremost, a functional element. But at the same time it is also a defining design component. The art lies in placing maximum functionality, innovation and effectiveness into the smallest possible space.”

Oliver Heilmer —— 15

“Proportions. Surfaces. Details. That is what interior design is all about. Making the right statement and finding the right balance is a tremendous challenge.”

David Carp —— 16

“It takes more than 48 months of hard work from initial sketches to the start of production of a new model. During that time, we have to flesh out the main design elements, define the details and, above all, calibrate the vehicle’s hundreds of interfaces.”


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14

COUNTDOWN TO THE NEW BMW 3 SERIES

En route to customers, the latest-generation BMW 3 Series moved the hearts of many thousands of associates around the globe.

All motion begins with an impetus. The impetus for the new BMW 3 Series was generated long before the first series model rolled off the assembly line at the Munich plant: the production launch of this fascinating car was the culmination of years of planning, more than half a billion euros in investment and the passionate commitment of countless BMW Group associates.

The men and women who build the new BMW 3 Series.

1

Test cubing

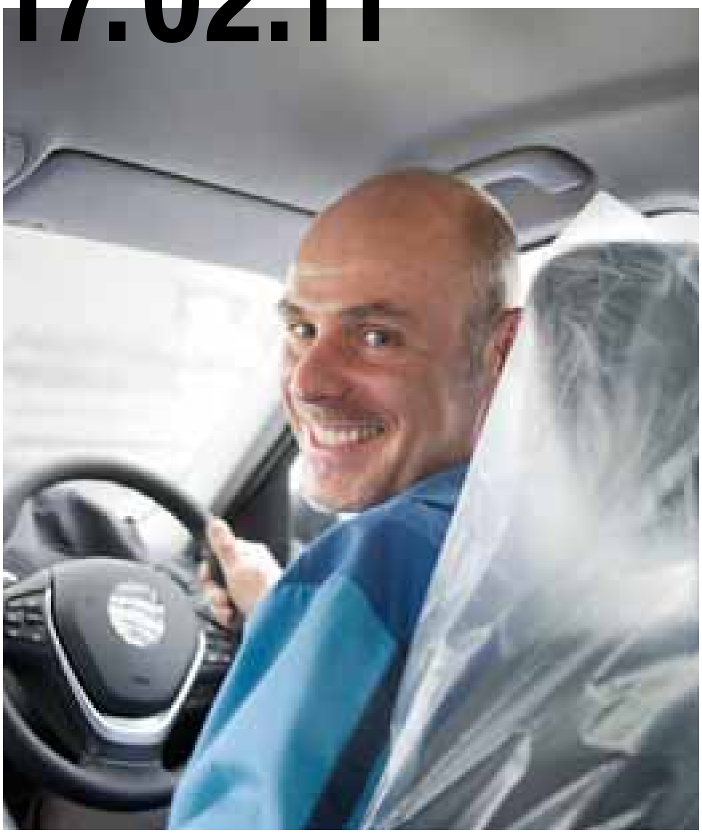
10.01.11

Day Month Year

4 A pre-series model of the BMW 3 Series takes a test drive.

5 Space is short in the heart of Munich – which is why the BMW plant is expanding upwards.

17.02.11



Maiden drive

"Once the lengthy preparations have been completed, the toughest phase of the production ramp-up can begin. Eight months prior to the start of series production we test the first pre-series models on the plant's own test track. It is an extremely proud moment – but an anxious one, too. On the one hand, this is the first time we get to see the outcome of all our plans and hard work. On the other, we always discover details that don't quite meet our standards and that need improving before series production can start." **Carsten Stöcker, plant project manager for the new BMW 3 Series**

4

To create space for construction of the 3 Series body at the Munich plant, an entirely new production hall had to be built in the heart of the grounds. The new building, in which pre-series production would soon begin, provides around 5,000 square metres of production space, spread over two levels directly above one another – a remarkable feat of planning.

5

Start of pre-production

29.03.11

05.08.11

Press shop

"The most amazing thing about our new press shop is what you don't see or feel. There is none of the vibration you encounter in a regular press shop – since our vibration-damped system is powered by servo-motors. And there is no costly downtime – because tools up to 50 tons can be switched within a record-breaking three minutes. There are no fork-lift trucks loaded up with steel boxes either – because all materials are handled by a sophisticated elevator system. And that brings us to the most astonishing fact of all: that we managed to set up a large-scale operation like this in the heart of the city." **Klaus Miedl, press shop control engineering planner; Boris Hirschauer, press shop plant manager**

1 Pre-production for a new model like the BMW 3 Series starts with a highly-realistic aluminium casting. This so-called test cubing serves as a reference for the infinite number of measurements suppliers and associates have to make during months of pre-production, and allows components to be aligned with designer specifications.

2 Klaus Miedl (right) planned the press shop; Boris Hirschauer is in charge of running it.

2

Connection

05.08.11

3

"In a dynamic car like the new 3 Series, every gram counts. One way of reducing weight is through short weld flanges with precise joints, like the ones produced by our tactile-controlled laser welding head." **Peter Josef Scherer, laser welding process engineer**

3 Peter Josef Scherer uses a tactile-controlled laser welding system to create ultra-precise weld joints.

6 Building the new BMW 3 Series: associates from the Shenyang (China), Rosslyn (South Africa), Regensburg and Munich plants get to know the new model inside and out.

7 As project controller, Nina Althoff knows what high standards are required.

15.08.11

Employee training

Production staff have been learning about the new car and the production steps that go into it since mid-April. By mid-August about 3,000 employees had received theoretical and practical training with instructors and vehicle construction specialists at so-called training platforms. Trainees also included associates from China and South Africa, where the new BMW 3 Series is also set to roll off the production line.

6

7

"Two millimetres is the maximum tolerance we allow in total – in a vehicle almost four-and-a-half metres long made up of dozens of outsourced components." **Michael Schmitzer, body assembly quality specialist**

8

26.09.11

Precision work

Put to the test

04.10.11

The vehicles are now submitted to one vital test after another. One of the most informative is the leakage test performed at the Munich plant's new analysis centre. If a vehicle has any imperfections in body construction, assembly, paint or parts, it will certainly be discovered here.

8 Michael Schmitzer uses a gauge which was developed to measure joint dimensions and displacement.

14.10.11

Day Month Year

9

ALL FOR THIS MOMENT

World premiere of the new BMW 3 Series at the Munich plant

10

3:03 p.m. Full of expectation

3:04 p.m. Capturing the moment

The moment everyone has been waiting for: after years of planning, months of preparation and the sheer hard work of the final weeks, the first series-produced model of the new BMW 3 Series makes its debut at the BMW Munich plant. A modern classic set to redefine the world of premium mobility just like its predecessors; an icon, reimagined, and loaded with the latest technology.

An accomplishment like this relies on an outstanding team effort. Associates from almost 50 countries developed, planned and built the new 3 Series together. This day, this hour celebrates the product of their passion and their dedication. At the end of the early shift, the assembly lines at the Munich plant grind to a halt, and thousands of associates come out to watch the new 3 Series drive its first few hundred yards. 9 10

3:28 p.m. Guests arrive for the premiere

Sixteen cameras capture this historic moment from every angle. A helicopter circling overhead relays TV pictures to large projection screens set up all across the plant, with live commentary throughout the event.

"This is a piece of automotive history we can be truly proud of."

11

4:22 p.m. Dostlerstraße Welcome 3 Series!

At 4:20 p.m. people begin to applaud: the first new BMW 3 Series pulls onto the road, driven by one of the BMW Group's young apprentices. Norbert Reithofer, Chairman of the Board of the BMW Group, climbs into the passenger seat. The brand-new white BMW 3 Series has been signed by all the associates who helped build it – clear evidence of a tremendous team effort. 11 12

12

4:23 p.m. Dostlerstraße Standing ovations

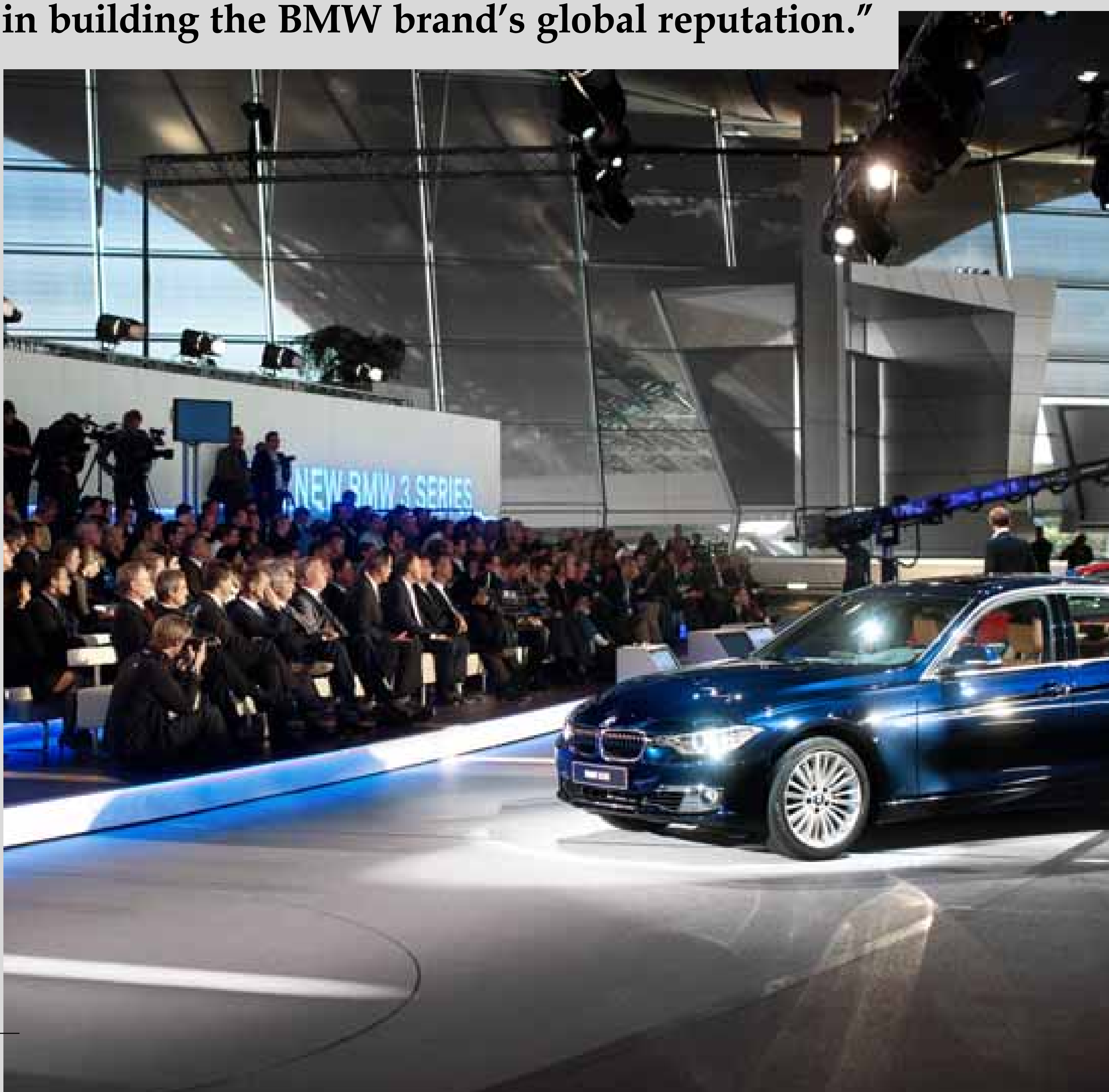
4:28 p.m. Dostlerstraße Corso of the BMW 3 Series predecessor models

A model from each of the five previous generations accompanies the new BMW 3 Series cars on their way through the BMW plant – each driven by one of the associates involved in production of the model series.

At BMW Welt, journalists and camera teams follow the proceedings on the projection screen until the stars of the event arrive. This is where the official premiere of the BMW 3 Series begins for the rest of the world. —13

4:32 p.m. Eye witnesses

"The BMW 3 Series has played a decisive role in building the BMW brand's global reputation."



13

29.01.12

Global mission

14

For the first time in the company's history, a new model is released not in stages, but simultaneously worldwide. This means new models had to be on display in BMW showrooms from Auckland to Anchorage in time for the sales launch on 11 February. Running on an extremely tight schedule, the Munich plant shipped no fewer than 10,500 BMW 3 Series in the weeks prior to the sales launch.

11.02.12

Moment of sheer pleasure

On this day, customers all over the world experience the fascination of the new BMW 3 Series for the very first time. This is the day the countdown ends. And the countdown for the next new models begins.

14 The brand-new BMW 3 Series is loaded directly at the Munich plant's own rail terminal. Almost two-thirds of the vehicles were shipped by environmentally-friendly rail.

Driving mobility forward by never standing still.

Students at the Luisen secondary school in Munich talk about demands and solutions for future mobility.

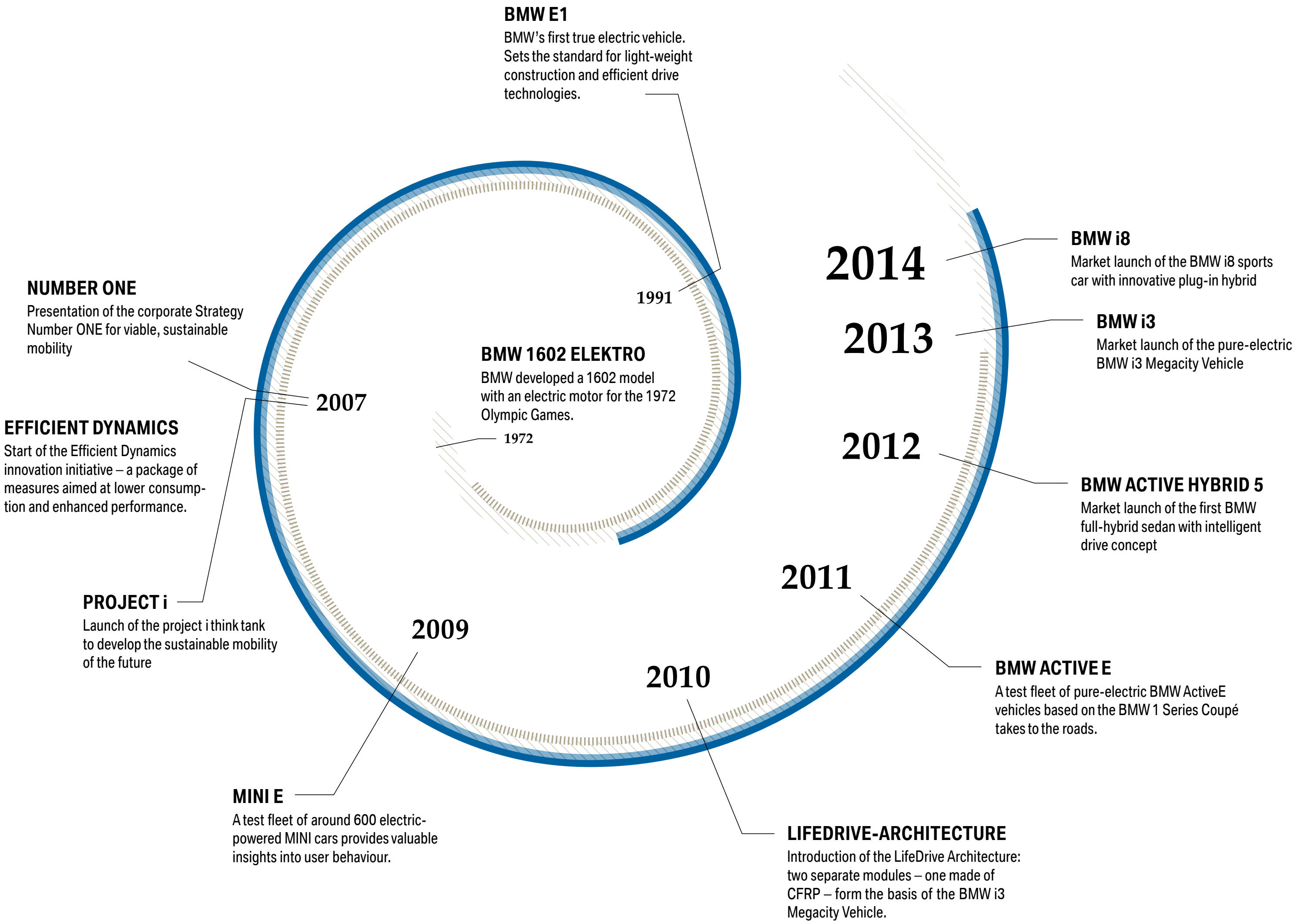
Scan the QR code to go directly to the online Annual Report for tablets.
http://annual-report2011.bmwgroup.com/bmwgroup/2011/future-challenges

“Mobility of the Future” workshop.

How will we get from A to B in the future? What will sustainable mobility look like in five, ten, twenty years? What solutions will we discover that we haven’t even dreamed of yet?

We certainly don’t have all the answers. But we are already asking the hard questions today – and discussing them with tomorrow’s road users.

Future challenges.



STAGES IN A SUCCESSFUL EVOLUTION

The BMW Group develops vehicles aimed at anticipating the future, setting the standard throughout automotive history. Our next milestone will be in 2013, with the launch of the BMW i3 – the first model under the BMW i sub-brand. And certainly not the last.

“Mobility of the Future” workshop.

WHOEVER WANTS TO SHAPE THE FUTURE MUST INSPIRE THOSE TO WHOM IT BELONGS.

BMW i designers talk to students from the Luisen secondary school in Munich.

BMW Welt, Munich, 25 January 2012, 1:30 p.m.: The excitement is mounting

They are the experts when it comes to the future: young women and men from the Luisen Gymnasium in Munich attended the "Mobility of the Future" workshop at BMW Welt. They talked with BMW Group designers, asked questions about existing concepts and created their own personal visions of individual mobility.

Jule Haug

"Let's not just talk about the future of cars. Let's talk about planning roads and cities better."

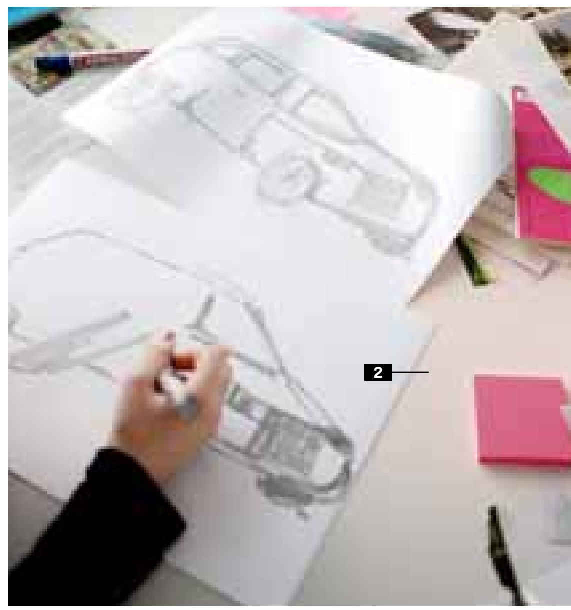
The future raises many questions.

What does mobility really mean? What will be left of it in a few years' time, once three-quarters of the global population lives in more and more densely populated cities? Will individual mobility even be possible anymore?

For the young people who attended our workshop, it wasn't a question of "if", but "how". They discussed their demands for the mobility of tomorrow with Manuel Sattig and Daniel Hahn from BMW i. They designed cities with "green" road surfaces and totally new vehicle concepts that could form clusters according to destination. It soon became clear that mobility must remain individual and independent in the future.

Good ideas provide the answers.

Within the space of four hours, the young people came up with vehicle concepts that ranged far into the future. Their "BMW 41" ("for one") concept mainly targets singles living in cities – with a hydrogen-powered vehicle that fits into a parking space at a 90° angle. An alternative version allows several units to be joined together to form "car-trains". 2



"The cars of the future shouldn't just communicate with one another – they should also be able to swap energy." Kilian Frank 1

Benedikt Ruck

"On crowded roads, two-wheelers are an attractive option – and so are the fast lanes they have in the U.S."

"A big car used to be a status symbol. In the future, the most environmentally-friendly car could be." Nga Nguyen 3

"I want to be able to decide for myself how I'm going to be mobile – and that includes driving a car. But it doesn't mean I have to own one." Joan Lechner 4

"Spontaneity will still be important. No one likes to be dependent on a public transport timetable." Rebecca dos Santos

The best answers are turned into solutions.

Many promising visions were discussed in the workshop. Manuel Sattig 5 and Daniel Hahn 6 from the BMW Group are currently working on a very real vision – one that will be on the roads within the next year: the BMW i3, the first car developed exclusively for electric driving. The two BMW associates presented one of the first models to the young people at the end of the workshop. Their verdict? “Fascinating.”

“My ideal mode of transport would be one where I could always have my hiking boots and my cool-bag with me.”

Kim Fischer

The “Mobility of the Future” will answer many questions.

“A car used to be just a comfortable method of transport. We will have to think beyond that in the future.” Rebecca dos Santos

“I don’t know exactly what the ‘Mobility of the Future’ will look like – but it will definitely be exciting.” Mai Tran

THE FUTURE IS HERE – AND OURS TO DRIVE

BMW i3 and BMW i8

New solutions for individual and above all, sustainable, mobility are needed. The BMW Group has recognised this need and responded by creating a sub-brand to focus on changing customer requirements: BMW i. Its first two models are set to launch the era of premium electric vehicles next year.

Accelerates from 0 to 100 in under **5** seconds

"Recovers energy every time the brakes are applied"

“Intelligent lightweight construction”

LIGHTNESS IN EVERY FIBRE

The LifeDrive Architecture in the BMW i8 Concept has been specially configured to suit the vehicle’s sports-car-like character and guarantee crisp performance and a high level of driving dynamics. Its components have been weight-optimised down to the final milligram to offset the increased weight of the electric drive system and battery unit.

"Unique
CFRP construction"

50% lighter than steel

HIGHEST STANDARD OF SAFETY

Lightweight construction and safety complement each other perfectly in the BMW i3. The LifeDrive Architecture with a passenger compartment – the Life module – built of CFRP, offers passengers maximum protection while maintaining its low weight.

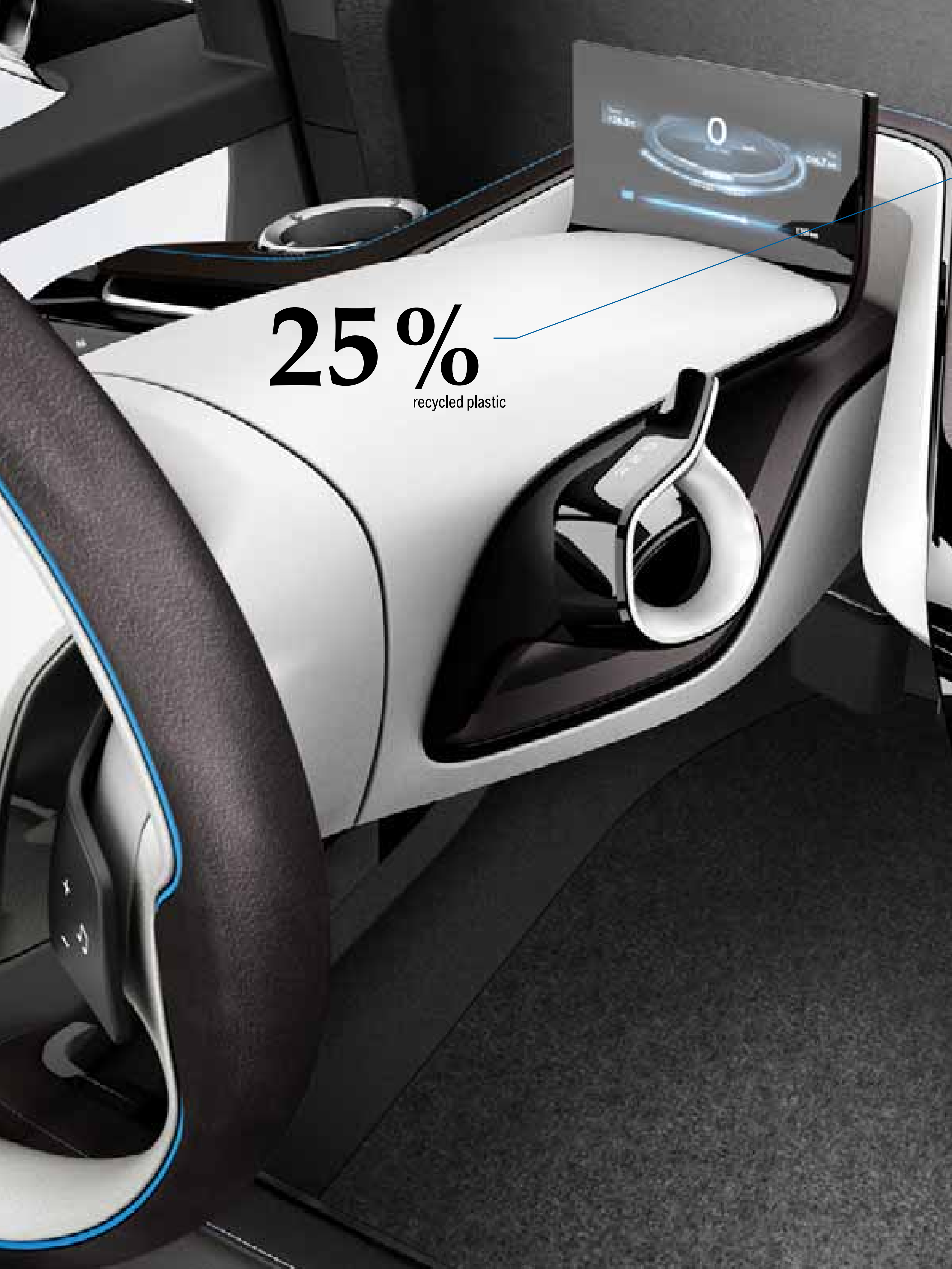
Up to **50%**

lower CO_2 emissions throughout the lifecycle of the vehicle

“Minimum aerodynamic drag”

DYNAMIC AERODYNAMICS

Aerodynamically-optimised airflow is one of the hallmarks of BMW i vehicles. Two horizontal lines symbolising the airstream in a wind tunnel highlight its precise aerodynamic design.


25%
recycled plastic

SUPERIOR COMFORT

Despite its careful use of resources, the BMW i3 offers generous space and convenient functions. For example, the ECO PRO mode allows the driver to extend the vehicle's electric range by up to 20 per cent.

“manoeuvrable and agile”

SUSTAINABLE FROM THE BEGINNING

The BMW i3 is the perfect example of sustainability. Its assembly at the Leipzig plant will use 70 per cent less water and 50 per cent less energy per vehicle.

200 litre
luggage compartment

Our passion drives emotion.

Each customer is unique. But for every single one of them, that first encounter with their new car is a truly treasured moment.

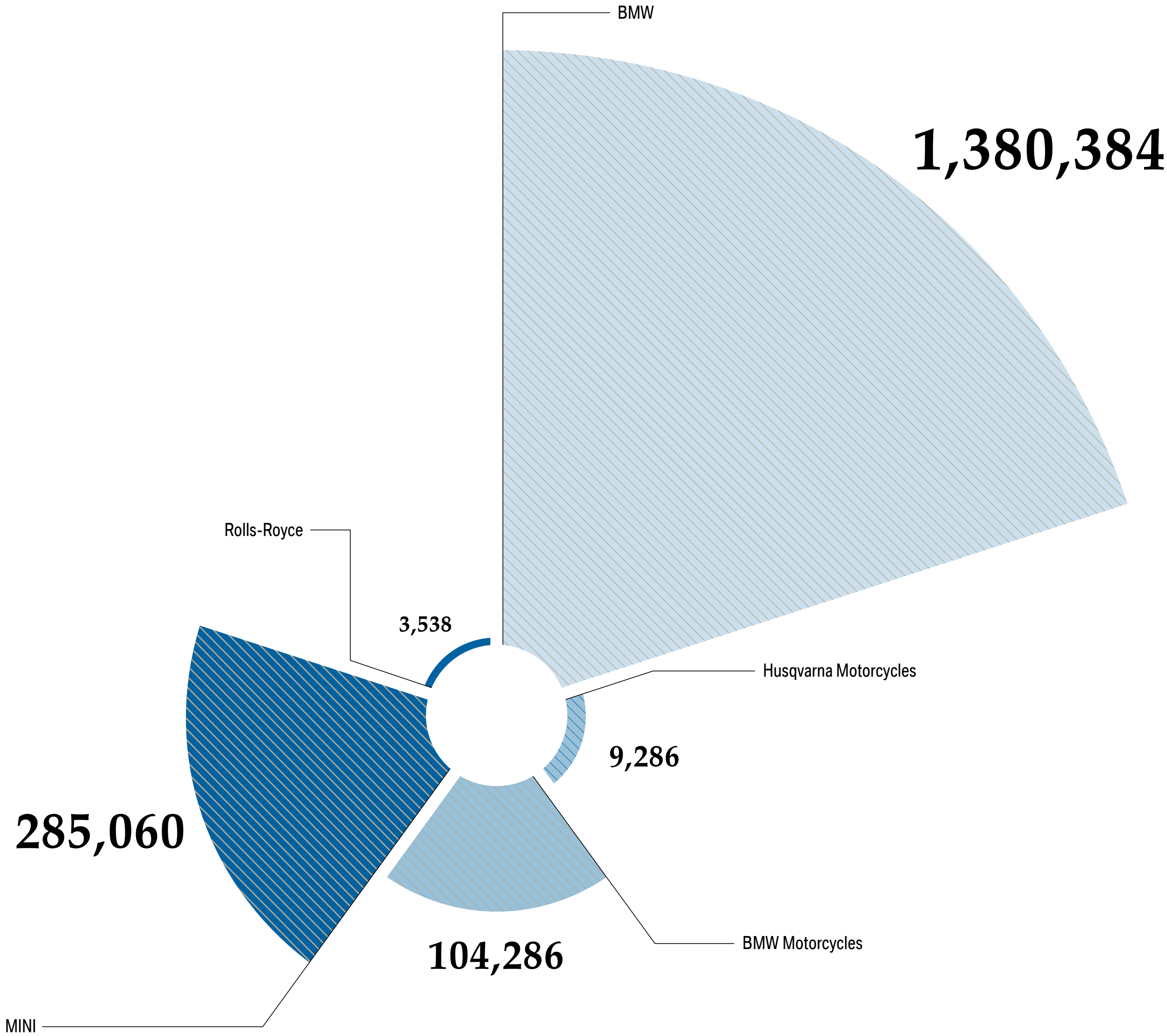
Scan the QR code to go directly to the online Annual Report for tablets.
http://annual-report2011.bmwgroup.com/bmwgroup/2011/moments-of-sheer-pleasure

Moments of sheer pleasure for our customers. And for us as well.

Jeronimo Esteve, BMW 650i Convertible
Silvia Zortea, BMW 640d Coupé
Benjamin Wolf, MINI John Cooper Works Coupé
Györgyi Endredi, BMW 118i
Eugen Fetsch, Rolls-Royce Ghost Extended Wheelbase
Hans Blos, BMW K 1600 GT
Daniel Blesinger, BMW 1 Series M Coupé
Paul Wetzlar, BMW M5
Viona Jasper, MINI Cooper S

Slipping behind the wheel. Starting the engine for the first time. Feeling the power of the engine and experiencing the unique combination of efficiency and dynamic performance. Driving the first mile.

Taking ownership of a new vehicle is always a special occasion. Last year we shared that moment with almost 1.8 million BMW Group customers. We captured nine of them on camera for you.



GLOBAL DELIVERIES IN 2011

We sold more vehicles last year than ever before in the history of our company. Worldwide sales of our BMW, MINI and Rolls-Royce automobiles rose 14.2 % to reach a total of 1,668,982 vehicles. Added to this were more than 113,000 motorcycles. The BMW Group therefore strengthened its position as the world's leading provider of premium vehicles – creating our very own moment of sheer pleasure.

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—**1** An emotional moment captured forever —**2** Embarking on a unique driving experience —**3** Jeronimo Esteve and his wife, Yazmin, take advantage of an extended trip across Europe to collect their BMW 650i Convertible in person. —**4** BMW Welt behind them, Europe ahead

Scan the QR code to go directly to the configuration of the BMW 650i Convertible.

Scan the QR code to go directly to the video of Jeronimo Esteve receiving his vehicle.

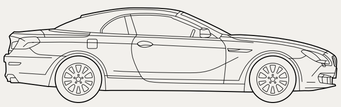
—2

—3

Jeronimo Esteve with his wife, Yazmin, BMW Welt, Munich, 9 November 2011

What are you most looking forward to?

“Driving across Europe, savouring the trip. Becoming part of the car and the car becoming part of me – that’s a real joy!”



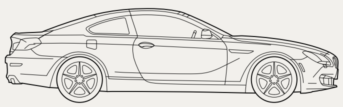
BMW 650i Convertible
Leading-edge design, uncompromising sportiness and exclusive elegance in its most perfect form.

—4

Silvia Zortea, BMW Welt, Munich, 20 October 2011

What are you most looking forward to?

"As a kid, I liked to play top trumps with car cards. Back then, the best car in the pack had 300 horsepower. Now, I drive a car with the same horsepower! For me, it's a childhood dream come true."



BMW 640d Coupé
In balance: muscular contouring. In flow: fluid lines. In motion: dynamic performance in its most elegant form.

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—**1** At BMW Welt Silvia Zortea discovers an Isetta just like the one her father used to drive in the 50s. Then she receives the keys to her very own BMW. —**2** Looking forward to the new BMW 640d Coupé and its dynamic diesel engine —**3** As a fashion expert, Silvia Zortea appreciates the high-end design features, such as subtle top-stitching in the seats, which give the interior a refined touch. —**4** Always elegant in appearance: BMW 640d Coupé outside BMW Welt

Scan the QR code to go directly to the product website for the BMW 640d Coupé.

—1

—2

—**1+3** Déjà vu: this is the fourth MINI for Benjamin Wolf. But every time is a new moment of joy.
—**2** Roomy inside: the luggage compartment is surprisingly spacious.
—**4** Pride of ownership: Benjamin Wolf and his new MINI —**5** The MINI John Cooper Works Coupé also looks impressive on the inside.

Scan the QR code to go directly to the product website for the MINI John Cooper Works Coupé.

—3

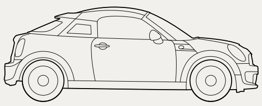
—4

Benjamin Wolf, MINI Munich, 7 November 2011

—5

What are you most looking forward to?

"A great tradition. Contemporary design. I thought this model looked great in the photos – but I like it even better in real life."



MINI John Cooper Works Coupé
Superlative handling – with strong torque and over-boost function. An unmistakable car with a striking chili-red roof.

—**1** Accompanied by her husband, Ferenc (right), Györgyi Endredi discovers the world of BMW, before experiencing the brand for herself behind the wheel. —**2** What does happiness look like? Something like this! —**3** Her son drives the previous model – Györgyi Endredi is excited about the new BMW 1 Series. —**4** One of almost 1.8 million happy BMW Group customers in 2011

Scan the QR code to go directly to the product website for the BMW 118i.

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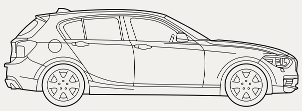
Györgyi Endredi, BMW Welt, Munich, 10 November 2011

What are you most looking forward to?

“The design of this car – which I loved from the start. And enjoying the same feeling I had throughout the test drive: sheer driving pleasure!”

—4



BMW 118i
The BMW 1 Series interprets signature BMW automobile design in a youthful and spontaneous way. This is where dynamic performance finds its most modern expression: authentic, spirited and full of energy.

Eugen Fetsch with his wife, Valerija, Rolls-Royce, Cologne, 16 December 2011

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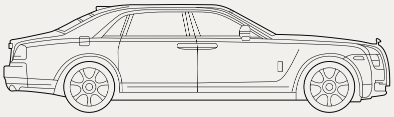
What are you most looking forward to?

"The most beautiful car in the world. Taking Sunday-afternoon drives with my wife. Everything."



Rolls-Royce Ghost Extended Wheelbase
Probably the most legendary name in the automotive world. Equipped with the very latest in innovative vehicle technologies. Reimagined as an expression of the pinnacle of driving luxury.

—2

—3

—1 Its name pays tribute to the legendary Rolls-Royce Silver Ghost from the year 1906. Today's new Ghost is already a legend. —2 Eugen Fetsch and his wife, Valerija, seated in the back of their new car —3 Thanks to its extended wheelbase, the Rolls-Royce Ghost provides ample, luxurious space for Valerija Fetsch and additional passengers. —4 A perfect example of understatement in its most refined form

Scan the QR code to go directly to the product website for the Rolls-Royce Ghost Extended Wheelbase.

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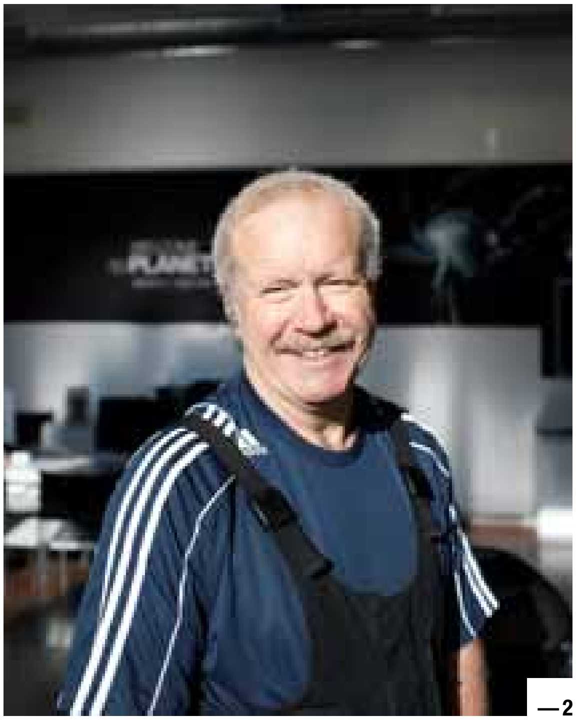


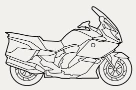
—2

Hans Blos, BMW Motorrad Zentrum, Munich, 17 November 2011

What are you most looking forward to?

“Most of all, I’m excited about the prospect of riding this all-season bike whatever the weather.”

—4



BMW K 1600 GT
Gran Turismo means turning distance into open road. The new K 1600 GT translates this philosophy into comfortable reality.

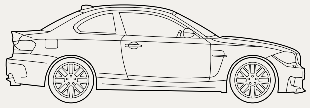
—**1** A proud brand —**2** As a former motorcycle trainer and driving instructor for the Upper Bavarian police, Hans Blos has ridden more than 50 motorbikes over the course of his career. —**3** The K 1600 GT immediately won the heart of this experienced rider. —**4** Putting the new bike through its paces at the testing grounds at the Oberschleissheim airfield outside of Munich —**5** Dynamic performance, seating position, handling – for seasoned motorcyclist Hans Blos everything about the BMW K 1600 GT is just right.

Scan the QR code to go directly to the product website for the BMW K 1600 GT.

—5

What are you most looking forward to?

"The sheer muscle of 340 horsepower. The flawless design of my 1 Series M Coupé. The promise of sporty performance and plenty of fun."



BMW 1 Series M Coupé
Brings sportiness to the road like no other vehicle. With an M TwinPower Turbo inline six-cylinder engine, it produces an explosive rush of adrenalin that sets the pulse racing.

Daniel Blesinger, BMW Welt, Munich, 20 October 2011

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—**1** Final check: Daniel Blesinger behind the wheel of his new car
—**2** BMW M: the essence of driving fun and sporty performance
—**3** Sizing it up: Daniel Blesinger, Markus Templ and Andrew Dik admire the rear view of the 1 Series M Coupé.
—**4** In the starting blocks, ready for the road

Scan the QR code to go directly to the product website for the BMW 1 Series M Coupé.

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—**1** Paul Wetzlar made the trip from Ankum in northern Germany to Munich to pick up his new BMW in person. —**2** Making an elegant statement inside BMW Welt. —**3** The BMW M5's ergonomic, fully-adjustable seats ensure greater comfort for high-mileage drivers. —**4** Businessman Paul Wetzlar expects to clock up more than 70,000 kilometres a year in his BMW M5 and is sure to appreciate the thoughtful design details.

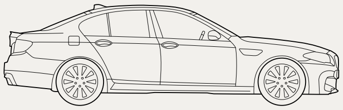
Scan the QR code to go directly to the product website for the BMW M5.

Paul Wetzlar, BMW Welt, Munich, 24 January 2012

What are you most looking forward to?

"To BMW Welt – which is an absolute highlight for a car enthusiast like me. And, of course, my BMW M5. For me, it's the perfect example of powerful understatement."

—3



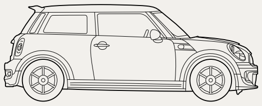
BMW M5
For a stylish appearance. For meaningful inner values. For all who value substance over show.

—4

—1

What are you most looking forward to?

"To the summer! The MINI Cooper S is my MINI for the warmer months."



MINI Cooper S
The legend in its most contemporary form.
Extremely agile. Exceptionally fast. 100 per cent MINI.

Viona Jasper, Autohaus Spaett, Ismaning, 26 January 2012

—2

—3

—**1** Sportiness and top performance: MINI Cooper S with distinctive go-cart feeling —**2** Complete with "chili pack" and attractive design details, the MINI Cooper S turned out exactly how Viona Jasper imagined it. —**3** Viona Jasper is a busy woman who commutes between her job in Munich and her home on Lake Ammersee several times a day – so every detail of her car needs to be perfect. —**4** During the cold season Viona Jasper drives a MINI One – so her MINI Cooper S will have to wait a few more weeks for its first outing.

Scan the QR code to go directly to the product website for the MINI Cooper S.

Scan the QR code to go directly to the video of Viona Jasper receiving her vehicle.

—4

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A FURTHER CONTRIBUTION TOWARDS PRESERVING RESOURCES

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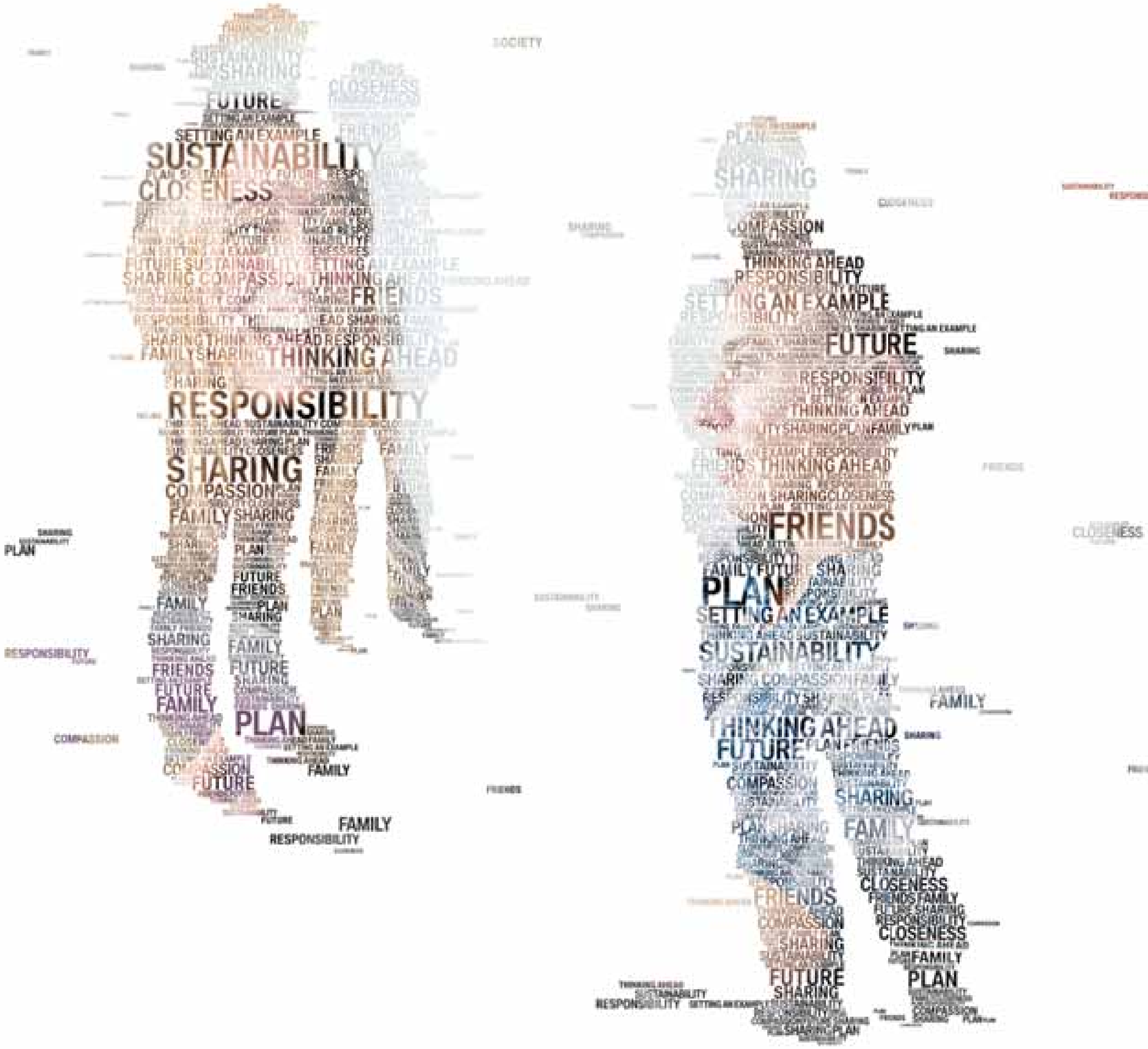

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