BMW Finance N.V.
Annual Report 2006

BMW Group

Contents

BMW Finance N.V.
Directors' Report

Dear Stakeholder,

BMW Finance N.V. (the "Company") was incorporated in The Netherlands and is a wholly owned subsidiary of BMW Holding B.V. who in turn is the wholly owned subsidiary of Bayerische Motoren Werke Aktiengesellschaft ("BMW AG"). The Company's purpose is to assist the financing of activities conducted by companies of the BMW Group and its affiliates and to provide services in connection therewith. The core business of the Company comprises mainly financial transactions with related parties (BMW Group companies) in Europe and Asia and is in principle priced "at arm's length".

The Company's activities mainly consist of providing long term liquidity and inter-company funding for BMW Group companies and being the leader of the Euro cash pool. The Company's aim is to minimize the connected risks from changes in interest rates and exchange rates. Firstly, protection against such risks is provided by so-called natural hedging that arises when the values of non-derivative financial instruments have matching maturities, amounts (netting) and other properties. Derivative financial instruments are used, such as interest rate swaps, foreign exchange swaps and forward rate agreements to reduce the risk remaining after netting.

The net consolidated income before taxation decreased compared to 2005. The activities resulted in a net income before taxation of euro 18.9 million (2005: euro 58.1 million). This decrease is mainly caused by increased market interest rates and by a negative result on fair value measurement of financial instruments. These items are partially offset by a higher profit contribution of the Spanish subsidiary BMW España Finance S.L. In 2006, income taxes are also positively influenced by a tax refund related to this Spanish subsidiary.

During the year, short-, mid- and long-term interest rates increased. Due to the combined effects of an increase in financing activities, the change in the market interest rate, the new mid-term debt securities issued in 2006, and the maturity of other securities, the Company's interest result increased in 2006 with 1.3% to euro 11.9 million (2005: euro 10.6 million).

The financing activities of the Company grew again in 2006 mainly as a result of increased funding of an UK BMW Group company. The outstanding amount for financing increased in 2006 with 36% to euro 8.0 billion (2005: euro 5.9 billion).

The euro 15.0 billion Euro Medium Term Note ("EMTN") Programme and the euro 5.0 billion Multi Currency Commercial Paper Programme have been successfully used during 2006 to refinance BMW Group companies. Under the EMTN Programme, BMW Finance N.V. issued nineteen new debt securities with a nominal amount of euro 2.9 billion. During the year the Company repaid two debt securities with a nominal amount of euro 0.8 billion. The proceeds have been used for general BMW Group financing purposes.

In July 2006 the Company entered into a financing agreement with the European Investment Bank (EIB) amounting to euro 400 million maturing in 2011. The proceeds have been used for financing the hydrogen project of the BMW Group.

For strategic reasons the Company has certain unhedged debt securities. These securities caused a positive foreign exchange result of euro 14.3 million (2005: euro 1.8 million negative). All other positions in a foreign currency are fully hedged through natural hedges or hedged with the use of derivatives. Hedge accounting is applied if appropriate. The Company is using professional software to further increase its ability to identify financial risks in an early stage and take measures accordingly.

In December 2003, the Company issued an exchangeable bond for a nominal amount of euro 560.5 million. The bondholders have a right to exchange their notes for a certain amount of shares of Rolls-Royce Group plc. The Company entered into a call option agreement to acquire Rolls-Royce Group plc shares. Until 31 December 2006 the bondholders have exchanged notes to a nominal amount of euro 461.4 million. Between balance sheet date and the date of signing these accounts, the Company settled in total a nominal amount of euro 42.7 million of the euro 560.5 million exchangeable bond relating to the investment of BMW Group in the engine manufacturer Rolls-Royce Group plc, London.

Since 1 January 2005 the Company is in a fiscal unity together with the BMW Group companies located in the Netherlands. During 2006 the Company employed 6 persons.

In 2007, the Company's interest margin is expected to be positive, but most likely will decline compared to 2006 due to economic circumstances. The Company's call on the capital markets depends on the liquidity need of the BMW Group. The Company will continue its current activities and no major staff changes are expected.

The Hague, 30 March 2007

E. Ebner von Eschenbach
Director

A.W. de Jong
Director

Dr. R. Edelmann
Director

BMW Finance N.V.
Consolidated Income Statement

in euro thousand	Notes	2006	2005(*)
Dividends from subsidiaries		70,560	–
Dividends from subsidiaries		**70,560**	**–**
Interest income BMW Group companies		237,488	160,839
Interest income Third parties		46,384	64,793
Interest income	[2]	**283,872**	**225,632**
Interest expense BMW Group companies		(65,802)	(9,909)
Interest expense Third parties		(244,901)	(203,910)
Interest expense	[2]	**(310,703)**	**(213,819)**
Interest margin		**(26,831)**	**11,813**
Net balance of other financial income and expenses	[3]	14,298	(1,761)
Net balance of fair value measurement of financial instruments	[4]	(37,988)	6,745
Excess net value of acquired entities		–	42,026
Financial income		**20,039**	**58,823**
Miscellaneous income & expenses	[5]	(1,107)	(680)
Income before taxation		**18,932**	**58,143**
Taxes	[6]	12,000	(18,108)
Net income		**30,932**	**40,035**

(*) The Consolidated Income Statement has been restated. Refer to Note 1.

BMW Finance N.V.
Consolidated Balance Sheet at 31 December
(Before appropriation of result)

Assets in euro thousand	Notes	**31.12.2006**	**31.12.2005**
Tangible assets		10	10
Investments in subsidiaries	[8]	45,555	45,555
Receivables from BMW Group companies	[9]	3,235,285	2,267,542
Derivative assets	[22]	127,387	536,486
Non-current assets		**3,408,237**	**2,849,593**
Receivables from BMW Group companies	[9]	4,760,224	3,653,870
Income tax receivables		–	2,684
Derivative assets	[22]	7,955	9,838
Other receivables and miscellaneous assets	[10]	95,353	59,257
Cash and cash equivalents	[11]	31,276	42,482
Current assets		**4,894,808**	**3,768,131**
Total assets		**8,303,045**	**6,617,724**

Equity and liabilities in euro thousand	Notes	31.12.2006	31.12.2005 (*)
Issued capital	[13]	1,750	1,750
Share premium reserve	[14]	36,226	36,226
Hedging reserve		2,048	–
Retained earnings		244,094	204,059
Undistributed income		30,932	40,035
Equity		**315,050**	**282,070**
Debt securities	[15]	5,563,158	3,624,190
Loans due to banks	[16]	405,234	10,127
Liabilities due to BMW Group companies	[17]	37	42
Derivative liabilities	[22]	237,471	501,219
Deferred tax liabilities	[12]	8,837	4,545
Non-current liabilities		**6,214,737**	**4,140,123**
Debt securities	[15]	927,594	1,094,064
Loans due to banks	[16]	4,893	4,580
Liabilities due to BMW Group companies	[17]	608,074	994,554
Income tax liabilities	[18]	3,957	18,876
Derivative liabilities	[22]	67,400	1,749
Other liabilities	[20]	161,340	81,708
Current liabilities		**1,773,258**	**2,195,531**
Total equity and liabilities		**8,303,045**	**6,617,724**

(*) The Consolidated Balance Sheet has been restated. Refer to Note 1.

BMW Finance N.V.
Consolidated Cash Flow Statement

in euro thousand	2006	2005 (*)
Net income for the year	30,932	40,035
Adjustments for non-cash items		
Amortization financial instruments	44,493	20,827
Unrealised foreign exchange losses/(gains)	(14,298)	1,761
Fair value measurement losses/(gains)	37,988	(6,745)
Excess net value of acquired entities	–	(42,026)
Cash available in acquired entities	–	934
Current and non current tax	50,559	21,778
Other non cash items	2,048	–
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(2,074,097)	(208,746)
Liabilities to BMW Group companies	(386,485)	801,086
Derivative assets	410,982	(364,249)
Derivative liabilities	(294,820)	303,590
Debt securities	1,742,303	(727,244)
Loans due to banks	395,419	(4,286)
Receivables and other assets	(36,096)	(3,193)
Other liabilities	79,632	(782)
Income tax paid	233	6,828
Cash flow from operating activities	**(11,206)**	**(160,432)**
Cash flow from investing activities	**–**	**–**
Cash flow from financing activities	**–**	**–**
Net increase/decrease in cash and cash equivalents	(11,206)	(160,432)
Cash and cash equivalents at January 1	42,482	202,914
Cash and cash equivalents at December 31	**31,276**	**42,482**

See Note 21 of the Notes to the Consolidated Financial Statements.

(*) The Consolidated Cash Flow Statement has been restated. Refer to Note 1.

BMW Finance N.V.
Consolidated Statement of Changes in Equity (Before appropriation of result)

in euro thousand	Issued capital	Share premium reserve	Other reserves	Hedging reserve	Retained earnings	Undis- tributed income	Total
1 January 2005	**1,750**	**7,842**	**1,827**	**-**	**186, 871**	**15,361**	**213,651**
Contribution in kind	–	28,384	–	–	–	–	28,384
Reclassification	–	–	(1,827)	–	1,827	–	–
Appropriation of result	–	–	–	–	15,361	(15,361)	–
Net income 2005	–	–	–	–	–	40,035	40,035
31 December 2005	**1,750**	**36,226**	**–**	**–**	**204,059**	**40,035**	**282,070**
Appropriation of result	–	–	–	–	40,035	(40,035)	–
Effective portion unrealised fair value change of cash flow hedge derivatives	–	–	–	2,048	–	–	2,048
Net income 2006	–	–	–	–	–	30,932	30,932
31 December 2006	**1,750**	**36,226**	**–**	**2,048**	**244,094**	**30,932**	**315,050**

At 31 December 2006, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to 2.0 million (2005: nil) net of deferred taxes. The hedging reserve as at 31 December 2006 is related to cash flow hedges.

[1] Accounting principles and policies

BMW Finance N.V. (the "Company") was incorporated in The Netherlands and is a wholly owned subsidiary of BMW Holding B.V. who in turn is the wholly owned subsidiary of Bayerische Motoren Werke Aktiengesellschaft ("BMW AG"). The statutory seat of BMW Finance N.V. is The Hague. The Company was registered in the Commercial Register at 14 June 1983, number 27.106.340. The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group and its affiliates ("BMW Group companies") and to provide services in connection therewith. During the year the Company employed 6 persons. The Company has no Supervisory Board.

Statement of compliance

The financial statements of BMW Finance N.V. have been prepared in accordance with accounting principles generally accepted in the Netherlands and are in compliance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and issued by the International Accounting Standards Board (IASB) and valid at the balance sheet date. All interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), were also applied.

Solvency

Given the objectives of the company, the company is economically interrelated with the ultimate holding company, BMW AG, Germany. In assessing the solvency of the company also the solvency of the BMW AG Group, as a whole needs to be considered.

Basis of preparation

The financial year contains the period from 1 January to 31 December. The financial statements are presented in euro, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and the following assets and liabilities are stated at amortised cost: receivables and debt securities and other non-derivative liabilities. Recognised assets and liabilities that are part of fair value hedge relationship are stated at fair value in respect of the risk that is hedged. The changes in the fair values of these assets and liabilities are reported in the income statement.

Consolidation principles

The equity of subsidiaries is consolidated in accordance with IFRS 3 (Business Combinations). This standard however does not apply to business combinations under common control. For these acquisitions, the identifiable assets and liabilities acquired are measured initially at the same value as the carrying amount of the previous owner insofar these are based on IFRS. The excess of the Company's interest in the net fair value of the identifiable assets and liabilities acquired over cost is recognised as goodwill and is subjected to a regular review for possible impairment. In case of a deficit, the difference is recognised in income in the year of acquisition. Receivables, liabilities, provisions, income and expenses and profits between consolidated companies (inter-group profits) are eliminated on consolidation. Investments in other companies are accounted for using the equity method, when significant influence can be exercised (IAS 28 Accounting for Investments in Associates).

This is normally the case when voting rights of between 20% and 50% are held (associated companies). Under the equity method, investments are measured at the group's share of equity taking account of fair value adjustments on acquisition, based on the group's shareholding. Any difference between the cost of investment and the group's share of equity is accounted for in accordance with the purchase method.

Use of estimates

The preparation of the financial statements in accordance with IFRSs requires management to make certain assumptions and estimates that affects the reported amounts of assets and liabilities, revenues and expenses and contingent liabilities. The assumptions and estimates relate principally to the group-wide determination of economic useful lives, the recognition and measurement of provisions and the recoverability of future tax benefits. Actual amounts could in certain cases differ from those assumptions and estimates. Where new information comes to light, differences are reflected in the income statement.

Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the individual transactions. At the end of the accounting period the unsettled balances on foreign currency receivables and liabilities are valued at the rates of exchange prevailing at the year-end. Exchange rate differences arising on translation are recognised in the income statement.

The exchange rates of the major currencies have moved against the euro as follows:

	Closing rate		Average rate	
	31.12.2006	31.12.2005	2006	2005
USD	1.3179	1.1804	1.2562	1.2442
JPY	156.8762	139.1101	146.0594	136.8290
CHF	1.6076	1.5549	1.5731	1.5485

Financial instruments

Receivables from BMW Group companies, liabilities due to BMW Group companies and receivables, debt securities and other non-derivative liabilities classified as “other liabilities” are recognised at amortised cost. If hedge accounting is applied, subsequent to initial recognition the hedged risks of the financial instruments are stated at fair value.

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

Financial instruments are classified as current (less than one year) or non-current (more than one year) based on their expected maturity date, unless, based on contractual agreements, the settlement of the financial instrument can be demanded by a counterparty. In this case, the instrument is classified as current as soon as this contractual right becomes due within one year.

All financial instruments are recorded on the settlement date, which is the date that the asset is delivered to the Company.

Fair valuing principles

Fair values of forward rate agreements are calculated based on quoted market rates at the balance sheet date. Interest rate and currency swaps are valued by using discounted cash flow models. Fair values of cash settled equity derivatives are calculated by revaluing the contract at year-end quoted market rates. Embedded derivatives are identified and monitored and fair valued at the balance sheet date. In assessing the fair value of embedded derivatives the Company uses an external convertible pricing model, and makes assumptions that are based on market conditions existing at balance sheet date. The changes in the fair values of these contracts are reported in the income statement. Fair value changes arising on cash flow hedges, to the extent that they are effective, are recognised directly in equity.

Forward foreign exchange contracts are valued with the forward exchange rate. Changes in fair value are calculated by comparing this with the original amount calculated by using the contract forward rate prevailing at the beginning of the contract. Changes in the fair value on these instruments are reported in the income statement except to the extent that they qualify for cash flow hedge accounting.

Hedge accounting

In those cases where hedge accounting is applied, effectiveness is periodically tested and changes in fair value are recognised either in income or directly in equity under hedging reserve, 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 derivative financial instruments and the related hedged items are recognised in the line Net balance of fair value measurement of financial instruments of the income statement. In case of cash flow hedges, the unrealised changes in the fair value are recognised directly in equity (hedging reserve). The ineffective portion of the gains or losses from the fair value measurement is recognised immediately in the line Net balance of fair value measurement of financial instruments of the income statement. If, contrary to the normal practice within the Company, hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognised immediately in the line Net balance of fair value measurement of financial instruments of the income statement. For foreign exchange forwards qualifying for cash flow hedge accounting the change in fair value is deferred in shareholders' equity to the extent that the hedge is effective.

Accumulated fair value changes from qualifying hedges are released from shareholders' equity into the line Net balance of fair value measurement of financial instruments of the income statement, in the period when the hedged cash flow affects the income statement.

If the hedged cash flow is no longer expected to take place, all deferred gains or losses are released into the line Net balance of fair value measurement of financial instruments of the income statement immediately. If the hedged cash flow ceases to be highly probable, but is still expected to take place, accumulated gains and losses remain in equity until the hedged cash flow affects the income statement.

Related party transactions
The transactions of the Company comprise mainly transactions with related parties (BMW Group companies) and are in principle priced on an "at arm's length". An exemption to this standard may be applied for transfer of shares within the BMW AG group. With the exception of these related party transactions, the Company did not enter into any contracts with members of the Board of Management or with other key management personnel in the BMW Group or with companies in whose representative bodies those persons are represented. The same applies to close members of the families of those persons.

Investments
The Company carries its investments in Group- and associated companies, available-for-sale financial assets and joint ventures at historic cost less provision for any diminution in value deemed to be of a permanent nature. These provisions are determined on the following basis:

– Provisions for losses on disposal or liquidation of an investment are made when such losses can reasonably be foreseen.
– The value of the Company's investments, other than companies intended for disposal or liquidation, is assessed each year on an individual basis and any impairment loss is recognised on this basis.

Information regarding the Company's interest in the net asset value and its share in the earnings of BMW Group companies is given in Note 8.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Revenue recognition
Interest revenues are recognised on a time proportion basis and take into account the effective yield on an asset. Income from investments has been included in the accounts of the Company to the extent of dividends declared.

Cost recognition
Miscellaneous income and expenses, interest expense and similar expenses are accounted for in the period to which they relate.

Impairment
The carrying amounts of the Company's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. The Company's assets mainly consist of receivables from BMW Group companies and subsidiaries. If any indication to impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Since the Company's (current and non-current) receivables mainly consist of balances due from companies of the BMW Group, valuation/collectibility of these receivables depends upon the financial position and credit worthiness of the involved companies and of the BMW Group as a whole.

Taxes
Income tax on the net income for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case income tax is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

In accordance with IAS 12, deferred tax assets and liabilities are recognised on all temporary differences between the fiscal valuation of assets and liabilities and their respective book values. Deferred tax assets also include claims to future tax reductions that arise from the expected usage of existing tax loss carry forwards. Deferred taxes are computed using tax rates already enacted or expected to apply.

Employee benefits

Obligations for contributions to the pension plan ("Group plan") sponsored by BMW Nederland B.V. are accounted for as if they are a defined benefit plan and are recognised as an expense in income statement when they are due. The Group plan is presented in Note 19.

Change in accounting policy

Up and until the 2005 Annual Report the Company recognised provisions for pensions and similar obligations using the projected unit credit method in accordance with IAS 19 (Employee Benefits). The Company adopted the Group plan option mentioned in "Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures" as from this Annual Report onwards.

The change in accounting policy was recognised retrospectively in accordance with the transitional provisions of the amendment, and comparatives have been restated. The change in accounting policy resulted in a decrease of the 2005 result of euro 1 thousand and an increase of equity by euro 63 thousand as at 1 January 2005.

Dividends

Dividends proposed by the Board of Directors are not recorded in the financial statements until the Annual General Meeting of Shareholders has approved the proposal.

Euro cash pool

The form of the Euro cash pool is zero-balancing where all account balances are automatically transferred to one control account held by the Company. Funds moving into this account create inter-company loans between the Company and the Euro cash pool participants.

Geographical segments

In accordance with IAS 14, the Company presents segment information. Segment information is presented in respect of the Company's business and geographical segments. Due to the fact that the Company's activities consist only of financing activities, the geographical segment is considered to be the primary format. The clients of the Company are based in Europe, the United States of America and Asia. Note 2 provides an overview of the interest income and interest expense per segment.

[2] Interest income and interest expenses per segment

Interest income

in euro thousand	2006	2005
The Netherlands	60,037	46,646
Rest of Europe	197,533	177,683
USA	25,301	–
Asia	1,001	1,303
Total	**283,872**	**225,632**

Interest expense

in euro thousand	2006	2005
The Netherlands	79,905	2,369
Rest of Europe	225,833	206,887
USA	43	–
Asia	4,922	4,563
Total	**310,703**	**213,819**

[3] Net balance of other financial income and expenses

The item comprises a profit of euro 14.3 million (2005: euro 1.8 million expense) due to exchange rate differences related mainly to liabilities in Swiss franc and Japanese yen.

[4] Net balance of fair value measurement of financial instruments income & expenses

in euro thousand	2006	2005
Share options BMW Group companies	(19,874)	359,897
Share options Third parties	(17,966)	(357,767)
Currency options BMW Group companies	(4,407)	(1,026)
Other	4,259	5,641
Total	**(37,988)**	**6,745**

BMW AG guarantees the currency risk related to the JPY 15.0 billion debt security until maturity. This guarantee has been recognised as a currency option and therefore valued at fair value. The security rate is fixed at EUR/JPY 121.88 and will mature in 2009.

[5] Miscellaneous income & expenses

in euro thousand	2006	2005
Salaries	(612)	(216)
Social security charges	5	(9)
Pension premiums	(53)	(42)
Advisory	(210)	(246)
Other miscellaneous income & expenses	(237)	(167)
Total	**(1,107)**	**(680)**

[6] **Taxes**

Income taxes comprise the following:

in euro thousand	2006	2005
Current tax expense	15,593	(3,973)
Deferred tax expense attributable to temporary differences	(3,593)	(14,135)
Total tax income/(expense) in income statement	**12,000**	**(18,108)**

Reconciliation of the effective tax expense:

in euro thousand		2006		2005
Income before tax		18,932		58,143
Income tax using the domestic corporate tax rate	29.6%–35.0%	(7,212)	31.5%	(18,315)
Tax effect participation exemption		19,677		(12,547)
Excess net value of acquired entities		–		13,238
Difference due to fiscal treatment of currency bonds		194		323
Difference due to changes in future Corporate tax rate		(628)		53
Tax settlement previous years		–		(863)
Other		(31)		3
Total tax income/(expense) in income statement		**12,000**		**(18,108)**

The Company, a member of the fiscal unity headed by BMW Holding B.V. is jointly and severally liable for the payment of any tax liability of the fiscal unity.

[7] **Remuneration of Board of Directors**

In 2006, the remuneration of the Board of Directors amounted euro 0.2 million (2005: euro 0.2 million).

[8] Investments in subsidiaries

The following information with respect to the Company's investments in Group and Associated companies is given in accordance with IAS 28.

Name	City	Country of incorporation	Proportion of issued capital held
Silent partnership with BMW Holding B.V.	Madrid	Spain	28%

In December 2004 BMW España Finance S.L. (managing partner) and BMW Holding B.V. (silent partner) entered into a silent partnership agreement according to Spanish law ("Contrato de Cuentas en Participacion" ("CCP")). The net income/loss will be shared between the partners based on their contribution, meaning that the Company will receive 28% of results.

In 2005 BMW Holding B.V. contributed in kind its subsidiary BMW España Finance S.L. in BMW Finance N.V. for euro 28.4 million, being the book value. The investments in subsidiaries and the with that related liability due to BMW Group companies of the CCP are not consolidated in the balance sheet of BMW Finance N.V. as the Company has no control over the CCP.

The balance sheet of BMW España Finance S.L. at 31 December 2006 as included in the consolidation of the Company is summarized as follows:

Assets in euro thousand	31.12.2006	31.12.2005
Tangible assets	10	10
Investments in subsidiaries	45,555	45,555
Non-current assets	**45,565**	**45,565**
Receivables from BMW Group companies	80,989	42,799
Tax receivables	103	79
Cash and cash equivalents	65	934
Current assets	**81,157**	**43,812**
Total assets	**126,722**	**89,377**

Equity and liabilities in euro thousand	31.12.2006	31.12.2005
Issued capital	10,003	10,003
Share premium reserve	18,381	18,381
Retained earnings	42,026	–
Undistributed income	48,535	42,026
Equity	**118,945**	**70,410**
Liabilities due to BMW Group companies	–	4
Income tax liabilities	6,900	18,876
Other liabilities	877	87
Current liabilities	**7,777**	**18,967**
Total equity and liabilities	**126,722**	**89,377**

[9] Receivables from BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2006	4,760,224	2,801,926	433,359	7,995,509
31.12.2005	3,653,870	1,922,480	345,062	5,921,412

Change in long term receivables from BMW Group companies

in euro thousand	2006	2005
Balance at beginning of year	2,267,542	1,698,385
Foreign currency translation difference	–	1,752
Loans granted	2,300,750	872,004
Maturity within 1 year	(1,333,007)	(304,599)
Balance at end of year	**3,235,285**	**2,267,542**

The weighted average maturity period and the weighted average effective interest rate for the long term receivables from BMW Group companies are:

	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
in euro thousand	2006	2005	2006	2005	2006	2005
Total	**3,235,285**	**2,267,542**	**3.21**	**4.21**	**3.39**	**3.16**

Current Receivables from Parent

	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
in euro thousand	2006	2005	2006	2005	2006	2005
BMW Holding B.V.	1,400,000	1,400,000	1.08	0.08	3.50	2.55

[10] Other receivables and miscellaneous assets

in euro thousand	31.12.2006	31.12.2005
Interest receivables Third parties	95,093	52,641
Receivables from BMW AG associates and investments	260	6,616
Total	**95,353**	**59,257**

[11] Cash and cash equivalents

Cash and cash equivalents include the items as stated below, all with maturity less than three months.

in euro thousand	Currency	31.12.2006	31.12.2005
Bank balances	EUR	6,276	8,482
Call deposits	EUR	25,000	34,000
Total		**31,276**	**42,482**

[12] Deferred taxes

Deferred tax assets and liabilities at 31 December were attributable to the following balance sheet items:

in euro thousand	31.12.2006	31.12.2005
Assets		
– Derivatives	14,892	25,117
Liabilities		
– Debt securities	(16,009)	(19,030)
– Derivatives	(7,720)	(1,542)
Total Liabilities	**(23,729)**	**(20,572)**
Net (asset)/liability	**(8,837)**	**4,545**

Deferred taxes recognised directly against equity amount to euro 0.7 million (2005: nil).

[13] Issued capital

Authorised share capital consists of 5,000 ordinary shares of euro 500 each of which 3,500 shares have been called up and fully paid-in. The holders of ordinary shares are entitled to execute the rights under the Netherlands Civil Code without any restrictions. In comparison with the year-end 2005, there were no changes in these figures. The Company generated earnings per share of euro 8,838 (2005: euro 11,439).

[14] Share premium reserve

The share premium reserve comprises additional paid-in capital on the issue of the shares.

In 2005 the Company acquired by means of a contribution in kind BMW España Finance S.L. from the shareholder, BMW Holding B.V.

[15] Debt securities

All debt securities are interest-bearing liabilities at the relevant balance sheet dates.

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than one years	Total
31.12.2006	927,594	2,943,122	2,620,036	6,490,752
31.12.2005	1,094,064	1,943,612	1,680,578	4,718,254

The following debt securities have either variable or fixed interest rates:

Security	Interest	Issue volume in relevant currency (thousand)	Issue currency	Maturity	Interest rate as of 31.12.2006	Valuation Technique
EMTN	Fix	2,000,000	JPY	2007	0.32	Fair value
EMTN	Fix	200,000	CHF	2008	2.00	Amortised costs
EMTN	Fix	400,000	EUR	2009	3.00	Fair value
EMTN	Fix	100,000	GBP	2009	5.00	Fair value
EMTN	Fix	15,000,000	JPY	2009	5.13	Amortised costs
EMTN	Fix	30,000,000	JPY	2009	0.91	Fair value
EMTN	Fix	750,000	EUR	2011	3.88	Fair value
EMTN	Fix	300,000	USD	2011	5.00	Fair value
EMTN	Fix	200,000	USD	2011	5.00	Fair value
EMTN	Fix	150,000	USD	2011	5.00	Fair value
EMTN	Fix	750,000	EUR	2012	4.13	Fair value
EMTN	Fix	250,000	EUR	2012	4.13	Fair value
EMTN	Fix	300,000	GBP	2013	5.25	Fair value
EMTN	Fix	750,000	EUR	2018	5.00	Fair value
EMTN	Float	100,000	CAD	2007	4.36	Fair value
EMTN	Float	50,000	EUR	2007	3.50	Amortised costs
EMTN	Float	50,000	EUR	2007	3.52	Amortised costs
EMTN	Float	50,000	EUR	2007	3.55	Amortised costs
EMTN	Float	100,000	GBP	2007	5.24	Amortised costs
EMTN	Float	50,000	EUR	2008	3.66	Fair value
EMTN	Float	75,000	EUR	2008	3.64	Fair value
EMTN	Float	50,000	EUR	2008	3.56	Fair value
EMTN	Float	100,000	EUR	2008	3.72	Amortised costs
EMTN	Float	75,000	EUR	2008	3.59	Amortised costs
EMTN	Float	125,000	EUR	2008	3.63	Amortised costs
EMTN	Float	50,000	EUR	2008	3.61	Amortised costs
EMTN	Float	80,000	EUR	2008	3.69	Amortised costs
EMTN	Float	2,500,000	JPY	2008	0.45	Fair value
EMTN	Float	20,000	USD	2008	5.37	Fair value
EMTN	Float	50,000	EUR	2009	3.68	Fair value
Rolls-Royce Group plc.						
Exchangeable	Fixed	99,100	EUR	2008	1.88	Amortised costs
Security	Fixed	29,010	EUR	2007	7.00	Amortised costs
Security	Fixed	40,599	EUR	2012	7.12	Amortised costs
Security	Fixed	104,356	EUR	2017	7.25	Amortised costs
Security	Fixed	25,000,000	JPY	2007	0.73	Fair value
Security	Fixed	20,000,000	JPY	2007	0.73	Fair value

BMW AG unconditionally and irrevocably guarantees all debt securities of the Company, including debt securities issued under the EMTN Programme. BMW AG guarantees the currency risk related to the JPY 15.0 billion debt security until maturity. This guarantee has been recognised as a currency option and therefore valued at fair value. The security rate is fixed at EUR/JPY 121.88.

The EMTN Programme of a total of euro 15.0 billion has been used in several currencies by BMW Finance N.V. in the equivalent of euro 5.4 billion (2005: euro 3.5 billion). Further issuers are BMW AG, BMW Coordination Center N.V., BMW US Capital, LLC and BMW (UK) Capital plc.

The debt securities include an exchangeable bond of euro 560.5 million, issued on 4 December 2003, relating to the investment of BMW Group in the engine manufacturer Rolls-Royce Group plc, London. This bond is subject to an annual interest rate of 1.875% and has a term of five years. After three years into the term, the bond holder has the right, up to the maturity date, to give notice on the bond if Rolls-Royce Group plc stock rises to a level of more than 130% of the conversion price of GBP 2.46. A cash-out option is also in place giving the Company, in the event that the conversion right is exercised, the right to make a payment equivalent to the market price, rather than to deliver the stock itself. Until 31 December 2006 the bondholders exchanged 82% of the debt securities (31 December 2005: 0%). The carrying value of the remaining outstanding debt securities at the balance sheet date was euro 94.5 million (2005: euro 519 million). The fair value of the embedded option liability as of 31 December 2006 in derivative liabilities is euro 91.7 million (2005: euro 452 million). Reference is also made to Note 22.

[16] Loans due to banks

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2006	4,893	405,234	–	410,127
31.12.2005	4,580	10,127	–	14,707

These loans bear an approximate average interest rate on 2006 year-end of 3.64% (2005: euro 6.85%).

[17] Liabilities due to BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2006	608,074	–	37	608,111
31.12.2005	994,554	–	42	994,596

[18] Income tax liabilities

BMW España Finance S.L. presides over a fiscal unity with its Spanish subsidiaries for income tax and is severally liable for the tax debt of the whole fiscal unit. Income tax payables comprise the indebted taxes for the Spanish fiscal unity.

[19] **Employee benefits**
The Company participates in a defined benefit plan (final salary pension plan) which is sponsored by BMW Nederland B.V. who in turn is also a wholly owned subsidiary of BMW Holding B.V. This pension plan (“Group plan”) provides pension benefits for employees upon retirement.

With reference to the option under the Amendments to IAS 19, BMW Nederland B.V. recognises its actuarial gains or losses immediately in the statement of recognised income and expense (“SORIE”) as from the 2006 Financial Statements. Since the Company participates in the Group plan the actual pension costs as charged by BMW Nederland B.V. are recognised in income statement. No stated policy is in place between the Company and BMW Nederland B.V. with respect to the allocation of and accounting for the Group plan’s net pension costs. The Group plan is presented below.

Defined benefit pension obligations are computed on an actuarial basis. This computation requires the use of estimates. The main assumptions, in addition to life expectancy, depend on the economic situation.

The following assumptions are used:

Actuarial assumptions	2006	2005
Interest rate for discounting liabilities	4.50%	4.25%
Salary increase rate	1.50%	1.50%
Inflation	1.50%	1.50%
Expected return on plan assets	4.25%	4.00%

The salary increase rate refers to the expected rate of salary increase, which is estimated annually depending on inflation and the period of service of employees with the Company.

In case of funded plans, the defined benefit obligation is reduced by the plan assets. Where the fair value of plan assets exceeds the obligation, the surplus amount is recognised in accordance with IAS 19 as an asset under other receivables and miscellaneous assets in BMW Nederland B.V. If the plan assets do not cover the pension obligations, the net liability is disclosed under employee benefits.

Actuarial gains or losses may result from increases or decreases in either the present value of the obligation, or in the fair value of 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.

Based on the measurement principles contained in IAS 19, the following funding status applies to the Group plan:

in euro thousand	31.12.2006	31.12.2005
Present value of the obligation	26,269	24,776
Fair value of plan assets	(23,708)	(23,097)
Deficit / (surplus)	**2,561**	**1,679**

The Group plan gave rise to a total pension expense in fiscal year 2006 of euro 2.3 million (2005: euro 1.4 million) comprising the following components:

in euro thousand	2006	2005
Current service cost	1,089	1,309
Interest cost	1,088	1,046
Expected return on plan assets	(963)	(960)
Net amortisations	1,126	(34)
Net Periodic Pension Cost	**2,340**	**1,361**

The changes in the net obligation, resulting from the difference between the pension provision and pension asset are as follows:

in euro thousand	2006	2005
Balance sheet begin of the year	1,679	3,491
Pension expense	2,340	1,361
Expense recognised in SORIE	(529)	(1,551)
Contributions received	(929)	(1,622)
Balance sheet end of year	**2,561**	**1,679**

[20] Other liabilities

in euro thousand	31.12.2006	31.12.2005
Accrued interest Third Parties	160,365	79,162
Other liabilities	975	2,546
Total	**161,340**	**81,708**

[21] Cash Flow

The Cash Flow Statement shows how the cash and cash equivalents of the Company have changed in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7, cash flows are classified into cash flows from operating, investing and financing activities.

The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group. This assistance is considered to be an operating activity for the Company. The cash flow from operating activities is computed using the indirect method, starting from the net income of the Company. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The cash flows from investing and financing activities are based on actual payments and receipts.

The cash flow from interest received/paid in the respective year:

in euro thousand	2006	2005
Interest received	227,247	227,448
Interest paid	254,299	214,759

[22] **Financial Instruments**

Use and control of financial instruments

The Company's purpose to assist the financing of activities conducted by companies of the BMW Group is connected with risks resulting from changes in interest rates, exchange rates and market prices.

Firstly, protection against such risks is provided by so-called natural hedging that arises when the values of non-derivative financial instruments have matching maturities, amounts (netting) and other properties. Derivative financial instruments are used to reduce the risk remaining after netting.

The scope of permitted transactions, responsibilities, financial reporting procedures and control mechanisms used for financial instruments are set out in internal guidelines.

Quantitative disclosures on financial instruments

In accordance with IFRS, the following table shows with respect to the non-derivative financial instruments the differences between the nominal amounts and their fair values:

in euro thousand	Nominal Amount 31.12.2006	Fair Value 31.12.2006	Nominal Amount 31.12.2005	Fair Value 31.12.2005
Receivables	8,122,138	8,080,469	5,843,892	5,963,894
Liabilities	7,535,266	7,503,086	5,558,128	5,727,557

The fair values shown are computed using market information available at the balance sheet date, on the basis of prices quoted by contract partners or using measurement methods, e.g. discounted cash flow models.

In the latter case, the amounts were discounted on the basis of the following interest rates:

%	EUR	USD	JPY	CHF
Interest rate for 6 months	3.85	5.37	0.63	2.20
Interest rate for one year	4.03	5.33	0.75	2.39
Interest rate for five years	4.13	5.10	1.37	2.70
Interest rate for 10 years	4.20	5.18	1.81	2.80

In accordance with internal guidelines, the nominal amounts of the derivative financial instruments correspond to the volume of the hedged items.

The nominal amounts, fair values and maturities of derivative financial instruments of the Company are shown in the following analysis:

in euo thousand 31.12.2006	Nominal amount	**Fair values Total**	Maturing within 1 year	Maturing between 1 and 5 years	Maturing later than 5 years
Assets					
Foreign exchange derivatives	141,468	**1,817**	1,817	–	–
Interest rate derivatives	2,588,741	**38,828**	6,138	18,989	13,701
Currency options BMW Group companies	123,072	**245**	–	245	–
Share options BMW Group companies	99,100	**94,452**	–	94,452	–
Total	**2,952,381**	**135,342**	**7,955**	**113,686**	**13,701**
Liabilities					
Foreign exchange derivatives	2,015,855	**159,994**	67,295	83,492	9,207
Interest rate derivatives	2,726,161	**53,170**	105	42,619	10,446
Share options Third parties	99,100	**91,707**	–	91,707	–
Total	**4,841,116**	**304,871**	**67,400**	**217,818**	**19,653**

Share options BMW Group companies relate to the euro 560.5 million exchangeable bonds the Company issued in 2003. Bondholders have the right to exchange their bonds for a certain amount of shares of Rolls-Royce Group plc. This right is separated from the non-derivative host contract and considered at fair value in the balance sheet. Until 31 December 2006 the bondholders exchanged 82% of the debt securities (31 December 2005: 0%).

The initial maturity of the exchangeable bond is December 2008. Due to uncertainty whether bondholders will exercise their right, and if they exercise, when this will occur, the exchangeable bond as well as the embedded derivative is considered to mature in 2008.

in euo thousand 31.12.2005	Nominal amount	**Fair values Total**	Maturing within 1 year	Maturing between 1 and 5 years	Maturing later than 5 years
Assets					
Foreign exchange derivatives					
Interest rate derivatives	2,843,771	**81,165**	9,838	5,736	65,591
Currency options BMW Group companies	123,072	**4,652**	–	4,652	–
Share options BMW Group companies	560,500	**460,507**	–	460,507	–
Total	**3,527,343**	**546,324**	**9,838**	**470,895**	**65,591**
Liabilities					
Foreign exchange derivatives	882,702	**44,503**	1,749	42,754	–
Interest rate derivatives	400,000	**6,422**	–	6,422	–
Share options Third parties	560,500	**452,043**	–	452,043	–
Total	**1,843,202**	**502,968**	**1,749**	**501,219**	**–**

The disclosed fair values of derivative financial instruments do not take into account any compensating changes in value of the underlying transaction. Moreover, the fair values disclosed do not necessarily correspond to the amounts which the Company will realise in the future under the market conditions prevailing at that time.

[23] Risk management

The risk exposure of BMW Finance can be broken down into two main categories: non-financial and financial risks.

Non-financial Risks

Operating Risks

Non-financial risks could arise from operating risks. Risks mainly result from the use of computer systems and information technology. BMW Finance uses computer systems to monitor financial positions and daily cash flows and to process payments to internal and external counterparties. Systems failures can, therefore, lead to delays in payment processes. Further operating risks can arise in connection with the settlement of financial transactions. The management of daily cash flows at BMW Finance depends on the timely receipt of funds from external institutions who act as counterparties to financial transactions, such as bonds, swaps or other derivative financial instruments.

Financial Risks

The formal procedures and policies operated by BMW Finance to cover banking, foreign exchange and other treasury matters are consistent with objectives and policies for financial risk management within the BMW Group. BMW Finance's policy is not to trade or to speculate in financial instruments.

Financial risks arise mainly from liquidity risk, the risk of an increase in credit spreads, currency risk, interest rate risk, credit risk and fair market value risk.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial liabilities when they come due, at reasonable costs and in a timely manner. As a result, the Company's borrowing capacity may be influenced and its financing costs may fluctuate. The cash and short-term deposits as well as the Multi-Currency Revolving Credit Facility of the BMW Group mitigate the liquidity risk for the Company. Furthermore, BMW Finance uses uncommitted credit lines with banks and bank loans to cover liquidity needs. BMW AG unconditionally and irrevocably guarantees all debt securities of the Company, including debt securities issued under the EMTN Programmes.

Risk of Increase in Credit Spreads

Increase in the credit spreads could negatively affect the cost of borrowing and, therefore, the operating result of BMW Finance. Increases in credit spreads could arise from changes in demand for term debt instruments on capital markets, the removal of the unconditional and irrevocable guarantees of BMW AG form the above-mentioned debt issuance programs in which BMW Finance participates, a weakening credit profile of the BMW Group and a decreasing willingness of banks to provide credit lines and loans.

Currency Risk

Currency risk or exchange rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in exchange rates. Changes in exchange rates can have adverse effects on the financial position and operating result of BMW Finance. In order to mitigate the impact of currency risk arising from operational, financial and investment activities, BMW Finance continually assesses its exposure to this risk. Currency risk is managed and hedged through the use of derivative instruments, such as forward contracts, options and cross currency swaps. For strategic reasons, the Company has minor foreign currency debt positions. These positions are responsible for the exchange rate result displayed in the profit and loss account as explained in Note 3 and part of Note 4. BMW AG guarantees the downward currency risk related to the JPY 15.0 billion debt security until maturity.

Interest Rate Risk

Interest rate risk refers to potential changes of value in financial assets, liabilities or derivatives in response to fluctuations in interest rates. BMW Finance holds a substantial volume of interest rate sensitive financial assets, liabilities and derivatives for operational, financial and investment activities. Changes in interest rates can have adverse effects on the financial position and operating result of BMW Finance. In order to mitigate the impact of interest rate risk BMW Finance continually assesses its exposure to this risk. Interest rate risk is managed and hedged through the use of derivative financial instruments, such as interest rate swaps and forward rate agreements. When deemed appropriate, there might be unhedged positions.

Credit Risk

Credit risk result from the risk of default of internal or external counterparties. The amount recognised in the balance sheet of BMW Finance for financial assets is, ignoring any collateral received, the maximum credit risk in the case that counterparties are unable to fulfil their contractual obligations. In the case of derivative financial instruments, BMW Finance is also exposed to credit risk, which results from the non-performance of contractual agreement son the part of the counterparty. This credit risk is mitigated by entering into such contracts only with parties of first-class credit standing. Furthermore, BMW Finance participates in a Group wide limit system that continually assesses and limits the credit exposure to any single external counterparty.

Fair Market Value Risk
IAS 39, Financial Instruments Recognition and Measurement, requires that all derivative instruments be recorded on the balance sheet at their respective fair values. In the case that hedge accounting is applied and that a hedge is a fair value hedge, the results of the fair value measurement of the derivative financial instrument and of the related hedged item are recognised in the income statement. Furthermore, if, contrary to the normal case within BMW Finance, hedge accounting cannot be applied, the gains and losses from the fair value measurement of derivative financial instruments are recognised immediately in the income statement. This can lead to significant fluctuations in the position “Net balance of fair value measurement of financial instruments” on the income statement.

[24] **Contingent assets and liabilities**
In December 2003, the Company issued exchangeable bonds of euro 560.5 million. The bondholders have a right to exchange their notes for a certain amount of shares of Rolls-Royce Group plc. The Company entered into a call option agreement with BMW International Investment B.V. to acquire Rolls-Royce Group plc shares. When the bondholders exchange their right, the Company realises a result with respect to the transfer of the shares in Rolls-Royce Group plc. This result will probably be covered by the participation exemption. With regard to the fulfilment of the obligation to deliver shares or the equivalent amount in cash, it is not clear whether the participation exemption will apply. The financial consequence as at 31 December 2006 would be a tax receivable of up to euro 136.6 million.

[25] **Events after balance sheet date**
Between balance sheet date and the date of signing these accounts, the Company settled in total a nominal amount of euro 42.7 million of the euro 560.5 million exchangeable bonds relating to the investment of BMW Group in the engine manufacturer Rolls-Royce Group plc, London.

BMW Finance N.V.
Income Statement

in euro thousand	Notes	2006	2005 (*)
Interest income BMW Group companies		237,316	161,108
Interest income Third parties		46,046	64,524
Interest income		**283,362**	**225,632**
Interest expense BMW Group companies		(26,983)	(11,182)
Interest expense Third parties		(244,478)	(203,897)
Interest expense		**(271,461)**	**(215,079)**
Interest margin		**11,901**	**10,553**
Net balance of other financial income and expenses	[27]	14,292	(1,761)
Net balance of fair value measurement of financial instruments	[28]	(37,988)	6,745
Financial income		**(11,795)**	**15,537**
Miscellaneous income & expenses	[29]	(793)	(646)
Income before taxation		**(12,588)**	**14,891**
Taxes	[30]	(6,247)	(17,722)
Net income		**(18,835)**	**(2,831)**

(*) The Income Statement has been restated. Refer to Note 1.

BMW Finance N.V.
Balance Sheet at 31 December
(Before appropriation of result)

Assets in euro thousand	Notes	2006	2005
Investments in subsidiaries	[32]	86,808	86,808
Receivables from BMW Group companies	[33]	3,235,285	2,267,542
Derivative assets	[46]	127,387	536,486
Non-current assets		**3,449,480**	**2,890,836**
Receivables from BMW Group companies	[33]	4,711,285	3,611,071
Income tax receivables		2,840	2,372
Derivative assets	[46]	7,955	9,838
Other receivables and miscellaneous assets	[34]	95,353	59,257
Cash and cash equivalents	[35]	31,209	41,542
Current assets		**4,848,642**	**3,724,080**
Total assets		**8,298,122**	**6,614,916**

Equity and liabilities in euro thousand	Notes	2006	2005 (*)
Issued capital	[37]	1,750	1,750
Share premium reserve	[38]	36,226	36,226
Hedging reserves		2,048	–
Retained earnings		201,159	203,990
Undistributed income		(18,835)	(2,831)
Equity	[39]	**222,348**	**239,135**
Debt securities	[40]	5,563,158	3,624,190
Loans due to banks	[41]	405,234	10,127
Liabilities due to BMW Group companies	[42]	37	42
Derivative liabilities	[46]	237,471	501,219
Deferred tax liabilities	[36]	8,837	4,545
Non-current liabilities		**6,214,737**	**4,140,123**
Debt securities	[40]	927,594	1,094,064
Loans due to banks	[41]	4,893	4,580
Liabilities due to BMW Group companies	[42]	700,691	1,053,661
Derivative liabilities	[46]	67,400	1,749
Other liabilities	[44]	160,459	81,604
Current liabilities		**1,861,037**	**2,235,658**
Total equity and liabilities		**8,298,122**	**6,614,916**

(*) The Balance Sheet has been restated. Refer to Note 1.

BMW Finance N.V.
Cash Flow Statement

in euro thousand	2006	2005
Net income for the year	(18,835)	(2,831)
Adjustments for non-cash items		
Amortization financial instruments	44,493	20,827
Unrealised foreign exchange losses/(gains)	(14,292)	1,761
Fair value measurement losses/(gains)	37,988	(6,745)
Current and non current tax	3,591	21,778
Other non cash items	2,048	–
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(2,067,957)	(208,746)
Liabilities to BMW Group companies	(352,975)	802,155
Derivative assets	410,982	(364,249)
Derivative liabilities	(236,085)	303,590
Debt securities	1,742,297	(727,244)
Loans due to banks	395,419	(4,286)
Receivables and other assets	(36,096)	(3,193)
Other liabilities	78,855	(786)
Income tax paid	233	6,828
Cash flow from operating activities	**(10,333)**	**(161,141)**
Cash flow from investing activities	**–**	**–**
Cash flow from financing activities	**–**	**–**
Net increase/decrease in cash and cash equivalents	(10,333)	(161,141)
Cash and cash equivalents at January 1	41,542	202,683
Cash and cash equivalents at December 31	**31,209**	**41,542**

See Note 45 of the Notes to the Financial Statements.

BMW Finance N.V.
Statement of Changes in Equity (Before appropriation of result)

in euro thousand	Issued capital	Share premium reserve	Other reserves	Hedging reserves	Retained earnings	Undis-tributed income	Total
1 January 2005	**1,750**	**7,842**	**1,827**	**–**	**186,871**	**15,292**	**213,582**
Contribution in kind	–	28,384	–	–	–	–	28,384
Appropriation of result	–	–	–	–	15,292	(15,292)	–
Reclassification	–	–	(1,827)	–	1,827	–	–
Net income 2005	–	–	–	–	–	(2,831)	(2,831)
31 December 2005	**1,750**	**36,226**	**–**	**–**	**203,990**	**(2,831)**	**239,135**
Appropriation of result	–	–	–	-	(2,831)	2,831	–
Effective portion unrealised fair value change of cash flow hedge derivatives	–	–	–	2,048	–	–	2,048
Net income 2006	–	–	–	–	–	(18,835)	(18,835)
31 December 2006	**1,750**	**36,226**	**–**	**2,048**	**201,159**	**(18,835)**	**222,348**

At 31 December 2006, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to 2.0 million (2005: nil) net of deferred taxes. The reserve as at 31 December 2006 is related to cash flow hedges.

[26] **Accounting principles and policies**

The accounting principles of BMW Finance N.V. parent company financial statements correspond with the accounting principles used in the consolidated financial statements of BMW Finance N.V. with the exception of investments. The Company carries its investments in Group- and associated companies at historic cost less provision for any diminution in value deemed to be of a permanent nature. These provisions are determined on the following basis:

- Provisions for losses on disposal or liquidation of an investment are made when such losses can reasonably be foreseen.
- The value of the Company's investments, other than companies intended for disposal or liquidation, is assessed each year on an individual basis and any impairment loss is recognised on this basis.

Information regarding the Company's interest in the net asset value and its share in the earnings of BMW Group companies is given in Note 32.

IAS 1 requires that assets and liabilities and income and expenses should not be offset unless required or permitted by a standard or an interpretation.

[27] **Net balance of other financial income and expenses**

See Note 3 of the Notes to the Consolidated Financial Statements.

[28] **Net balance of fair value measurement of financial instruments income and expenses**

See Note 4 of the Notes to the Consolidated Financial Statements.

[29] **Miscellaneous income & expenses**

in euro thousand	2006	2005
Salaries	(311)	(202)
Social security charges	5	(9)
Pension premiums	(53)	(42)
Advisory	(197)	(227)
Other miscellaneous income & expenses	(237)	(166)
Total	**(793)**	**(646)**

[30] **Taxes**

Income taxes comprise the following:

in euro thousand	2006	2005
Current tax expense	(2,654)	(3,587)
Deferred tax expense attributable to temporary differences	(3,593)	(14,135)
Total tax income/(expense) in income statement	**(6,247)**	**(17,722)**

Reconciliation of the effective tax expense:

in euro thousand		2006		2005
Income before tax		(12,588)		14,891
Income tax using the domestic corporate tax rate	29.6%	3,726	31.5%	(4,691)
Tax effect due to participation exemption		(9,508)		(12,547)
Difference due to fiscal treatment of currency bonds		194		323
Difference due to changes in future Corporate tax rate		(628)		53
Tax settlement previous years		–		(863)
Other		(31)		3
Total tax income/(expense) in income statement		**(6,247)**		**(17,722)**

The Company, a member of the fiscal unity headed by BMW Holding B.V. is jointly and severally liable for the payment of any tax liability of the fiscal unity.

[31] **Remuneration of Board of Directors**

See Note 7 of the Notes to the Consolidated Financial Statements.

[32] Investments in subsidiaries

The Group has the following investments in Group and associate companies carried at cost:

In euro thousand	Country	Ownership	31.12.2006	31.12.2005
BMW Overseas Enterprises N.V.	The Netherlands	100%	58,424	58,424
BMW España Finance S.L.	Spain	100%	28,384	28,384
Balance at end of year			**86,808**	**86,808**

The Company's interest in the net asset value of the BMW Group companies amounts to approximately euro 179.5 million as at 31 December 2006, which exceeds the above-mentioned book value by approximately euro 92.7 million. This interest in the net asset value has been calculated in accordance with the principles as applied in the aggregation of the accounts of the BMW AG Group of companies.

Change in investment in subsidiaries

in euro thousand	2006	2005
Balance at beginning of year	86,808	58,424
Acquisitions	–	28,384
Balance at end of year	**86,808**	**86,808**

[33] Receivables from BMW Group companies

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2006	4,711,285	2,801,926	433,359	7,946,570
31.12.2005	3,611,071	1,922,480	345,062	5,878,613

Change in long term receivables from BMW Group companies

in euro thousand	2006	2005
Balance at beginning of year	**2,267,542**	**1,698,385**
Foreign currency translation difference	–	1,752
Loans granted	2,300,750	872,004
Maturity within 1 year	(1,333,007)	(304,599)
Balance at end of year	**3,235,285**	**2,267,542**

[34] Other receivables and miscellaneous assets

See Note 10 of the Notes to the Consolidated Financial Statements.

[35] Cash and cash equivalents

Cash and cash equivalents include the items as stated below, all with maturity less than three months.

in euro thousand	Currency	31.12.2006	31.12.2005
Bank balances	EUR	6,209	7,542
Call deposits	EUR	25,000	34,000
Total		**31,209**	**41,542**

[36] Deferred taxes

See Note 12 of the Notes to the Consolidated Financial Statements.

[37] **Issued capital**

See Note 13 of the Notes to the Consolidated Financial Statements.

The Company generated negative earnings per share of euro 5,381 (2005: euro 809).

[38] **Share premium reserve**

See Note 14 of the Notes to the Consolidated Financial Statements.

[39] **Reconciliation between Statutory equity and Consolidated equity**

in euro thousand	31.12.2006	31.12.2005
Statutory equity	222,348	239,135
Excess net value of acquired entities recognised in the consolidated result over 2004	69	69
Excess net value of acquired entities recognised in the consolidated result over 2005	42,866	42,866
Excess net value of acquired entities recognised in the consolidated result over 2006	49,767	–
Consolidated equity	**315,050**	**282,070**

[40] **Debt securities**

See Note 15 of the Notes to the Consolidated Financial Statements.

[41] **Loans due to banks**

See Note 16 of the Notes to the Consolidated Financial Statements.

[42] **Liabilities due to BMW Group companies**

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2006	700,691	–	37	700,728
31.12.2005	1,053,661	–	42	1,053,703

[43] **Employee benefits**

See Note 19 of the Notes to the Consolidated Financial Statements.

[44] **Other liabilities**

in euro thousand	31.12.2006	31.12.2005
Accrued interest Third Parties	160,365	79,162
Other liabilities	94	2,442
Total	**160,459**	**81,604**

[45] **Cash Flow**

The Cash Flow Statement shows how the cash and cash equivalents of the Company have changed in the course of the year as a result of cash inflows and cash outflows. In accordance with IAS 7, cash flows are classified into cash flows from operating, investing and financing activities.

The Company's purpose is to assist the financing of the activities conducted by companies of the BMW Group. This assistance is considered to be an operating activity for the Company. The cash flow from operating activities is computed using the indirect method, starting from the net income of the Company. Under this method, changes in assets and liabilities relating to operating activities are adjusted for currency translation effects. The cash flows from investing and financing activities are based on actual payments and receipts.

The cash flow from interest received/paid in the respective year:

in euro thousand	2006	2005
Interest received	226,737	225,906
Interest paid	215,057	214,477

[46] **Financial instruments**

See Note 22 of the Notes to the Consolidated Financial Statements.

[47] **Risk management**

See Note 23 of the Notes to the Consolidated Financial Statements.

[48] **Contingent assets and liabilities**
See Note 24 of the Notes to the Consolidated Financial Statements.

[49] **Events after balance sheet date**
See Note 25 of the Notes to the Consolidated Financial Statements.

The Hague, 30 March 2007

E. Ebner von Eschenbach	**A.W. de Jong**	**Dr. R. Edelmann**
Director	**Director**	**Director**

BMW Finance N.V.
Other information

Statutory rules as to appropriation of result
According to article 9 of the articles of association, undistributed income is at the disposition of the General Meeting of Shareholders.

Proposed appropriation of result
The proposed appropriation of the loss for the year 2005 amounting to euro 2,831 thousand has been endorsed by the General meeting of Shareholders dated May 18, 2006.

The Board of Directors proposes to offset net loss for the year 2006 amounting to euro 18,835 with the retained earnings.

To: The Shareholders of BMW Finance N.V.

Auditors' Report

Report on the financial statements

We have audited the accompanying financial statements 2006 of BMW Finance N.V., The Hague, which comprise the consolidated and company balance sheet as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of BMW Finance N.V. as at 31 December 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Directors' report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 30 March 2007

KPMG ACCOUNTANTS N.V.

Mr. Drs. L.A. Blok RA