ANNUAL REPORT 2011

BMW FINANCE N.V.

BMW GROUP

Rolls-Royce
Motor Cars Limited

BMW Finance N.V.
Directors' Report

Dear Ladies and Gentlemen,

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 a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of BMW AG. Since 1 January 2005 the Company formed a fiscal unity together with the BMW Group companies located in the Netherlands. The Company's purpose is to assist the financing of business 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) that are priced in accordance with the "at arm's length" principle.

The Company's activities mainly consist of providing long term liquidity and intercompany funding for BMW Group companies and acting as manager of the Euro cash pool. The Company's aim is to minimize the connected market risk, especially interest rate risk and liquidity risk associated with financial instruments. Firstly, protection against such risks is provided by so-called natural hedges that arise when the values of non-derivative financial assets and liabilities 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 taking into account the effects of natural hedges. With regard to interest rate risk, the entity implemented successfully the financial strategy of the BMW Group. To improve its forward looking liquidity risk management even further, an encompassing analysis of the economic and capital markets environment of the Euro area was developed and implemented.

The Company has aligned its internal control and risk management system aimed at the financial reporting process in accordance with BMW Group policy. Risk reporting is based on an integrated risk management approach. The risk management process comprises the early identification of risks and opportunities, their measurement and the use of suitable instruments to manage and monitor risks. The risk management system comprises a wide range of organisational and methodological components that are all finely tuned to each other. The Company has established an encompassing reporting system that provides decision makers with comprehensive, up-to-date information and insights into developments with regard to the capital markets. Risk management is viewed as a continuous process, given the fact that changes in the legal, economic or regulatory environment or those within the Company itself could lead to new risks or to known risks being differently assessed. 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, we ensure that innovative ideas and approaches flow into the risk management system and that risk management is subjected to continual improvement. Regular basic and further training as well as information events are invaluable ways of preparing employees for new or additional requirements with regard to the processes in which they are involved.

In addition, in the consolidated financial statements the other operating segments are Automobiles (including Motorcycles) and Financial Services. The Automobiles segment sells cars, motorcycles and off-road vehicles, under the brands BMW and MINI as well as spare parts and accessories. This segment includes operating company BMW Portugal Lda. The principal lines of business of the Financial Services segment are car leasing, fleet business, retail customer and dealer financing. This segment includes operating company BMW Renting (Portugal) Lda. The group financing companies are included in the Intergroup financing segment, which includes operating companies BMW Finance N.V. and BMW España Finance S.L.

Overall risk management within the BMW Group is managed centrally and reviewed for appropriateness and effectiveness by the Group's internal audit department. The integration and optimization of processes have reduced operational risk. At present, no risks have been identified which could threaten the going concern status of the Company or which could have a materially adverse impact on the net assets, financial position or results of operations of the Company. The main categories of risk for the other operating segments are credit and counterparty default risk, residual value risk, interest rate risk, liquidity risk and operational risk. 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. Please refer to the BMW Group's financial statements for more detailed information.

Solvency of the Company is assured at all times by managing and monitoring the liquidity situation on the basis of a rolling financial planning. The resulting funding requirements are secured by a variety of instruments placed on the world's financial markets. The Company has good access to capital markets.

The Company's consolidated balance sheet total increased by euro 3,758 million (+15.8%) to stand at euro 27,501 million at 31 December 2011. The main factors behind the increase on the assets side of the balance sheet were current and non-current receivables from BMW Group companies (to euro 26,011 million, +16.7%) and derivative assets (to euro 764.0 million, +34.1%). On the equity and liabilities side of the balance sheet, the increase was mainly driven by the rise in total debt securities (to euro 21,823 million, +16.2%) and by an increase in liabilities due to BMW Group Companies (to euro 1,142 million, +234.0%). The equity decrease to euro 270.0 (2010: euro 407.0) mainly due to the loss of 2011 and the transfer of BMW Overseas Enterprises N.V. by means of a dividend distribution to BMW Holding B.V.

Whereas the financial position of the Company improved, the earning performance deteriorated significantly and shows a consolidated net loss of euro 69.4 million (2010: profit of euro 45.3 million). This can also be seen in the consolidated income before taxation which decreased considerably compared to 2010 to a loss of euro 89.9 million (2010: euro 55.2 million profit). The main driver of this negative result is the result from financial instruments which resulted in a loss of euro 28.5 million (2010: 100.0 million profit). This refers to the fair value measurement of financial instruments and was partially caused by interest rate swaps to hedge the portfolio. For further details on the valuation of financial instruments reference is made to the financial statements note 30.

In addition, the interest margin decreased to negative euro 48.4 million (2010: euro 41.7 million negative). Despite an increased interest income, the interest expenses increased to a greater extend as compared to the previous year mainly due to an overall increase of the costs of funds in 2011. The Company implements matched funding to align credit and funding spreads with the financing needs and maturity profiles of the Financial Service companies. High credit spreads incurred in 2008 and 2009 which the Company is unable to fully charge internally under the current transfer pricing policy. Furthermore, the cost of liquidity due to its structural overfunding also negatively impacted the net interest margin. Thus, the company received a euro 56.6 million liquidity fee for maintaining a liquidity buffer for group strategic purposes. Finally, the interest loss realised on the stand-alone derivatives of economic hedges to protect the portfolio against market risks have been accounted for in the interest rate result due to the so-called accounting measurement mismatch. The management initiated in September 2010 a program to sustainably improve the profitability of the Company. In close cooperation with central departments, several measures were identified and have been implemented in the course of 2011 which together will contribute to improve the interest rate result of the Company in the next years.

New car sales in Portugal dropped by more than 30 percent in 2011, according to numbers from the Portuguese Automobile Association ACAP. Revenues generated by the Company in the Portugal decrease by 18.0 % to euro 387.0 million (2010: euro 471.8) and cost of sales decreased by 15.5 % to euro 377.0 million (2010: euro 446.0 million). Gross profit decreased as a result by 61.3 % to euro 10.0 million (2010: euro 25.8 million) The subsidiaries BMW Portugal Lda. and BMW Renting (Portugal) Lda. have effectively been consolidated as of 31 December 2011 in the financial statements, therefore revenues and cost of sales 2010 are not included in the financial statements.

Due to internal restructuring, one of the Company's subsidiaries, BMW Overseas Enterprises N.V., has been transferred to another BMW group company, BMW International Investment B.V. This transfer has been taken place by means of a dividend distribution of euro 66.3 million (historic cost euro 58.4 million) from the

Company to its parent, BMW Holding B.V., which in turn transferred it further to BMW International Investment B.V. The transaction did not result in a loss or a gain. In addition, the Company also transferred its subsidiary BMW Portugal Lda. including its subsidiary BMW Renting Portugal Lda. by means of a contribution in kind to its subsidiary BMW España Finance S.L. The Portuguese entity was booked and transferred at historical cost of euro 19.3 million and did not result in a loss or a gain.

Corporate income taxes profit of euro 20.6 million is based on the statutory tax rate and additional taxes amounting to euro 1.7 million for tax assessments 2007 to 2009. The increase in deferred taxes assets relates to incurred tax losses in BMW Portugal Lda. and BMW España Finance S.L. and its other Spanish subsidiaries for the fiscal unity. The Company expects these fiscal losses will be recovered in subsequent years.

The Euro Medium Term Note (“EMTN”) Programme has remained in 2011 at euro 30 billion and has been together with the euro 5 billion Multi Currency Commercial Paper Programme successfully used during 2011 to refinance BMW Group companies. Under the EMTN Programme, BMW Finance N.V. issued 55 new debt securities (2010: 9) with a nominal amount of euro 5.7 billion (2010: euro 2.9 billion). The net proceeds have been used for general BMW Group financing purposes. During the year the Company redeemed 21 EMTN's (2010: 14 EMTN's) with a nominal amount of euro 3.3 billion (2010: euro 2.0 billion). The funding volume will according to our most recently updated financial planning increase in 2012 in comparison to 2011. The funding requirements are caused by maturing debt and growth in financial assets by BMW Group entities.

The hedge relationship between the euro 1.5 billion EMTN maturing in September 2014 and the hedge instruments did not pass the hedge effectiveness test and the relationship was de-designated as at 28 February 2011. The basis adjustment is amortised over the remaining term of the EMTN. The hedge relation is expected (based on new hedge accounting method) to be economic effective and therefore the Company re-designated the fair value hedge as of 1 April 2011. The fair value change of the related derivatives in the period that no hedge accounting was applied resulted in euro 14.6 million loss.

The euro 750 million EMTN maturing in September 2013 was designated for hedge-accounting as at 1 May 2011. The hedge relationship between this item and the hedge instruments did not pass the effectiveness test in December 2011. The relationship was de-designated as at 1 December 2011. The basis adjustment is amortised over the remaining term of the EMTN. The fair value change of the related derivatives resulted in a EUR 0.3 million loss.

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. Most of the countries in Europe are expected to see their economic output drop: Netherlands by 0.9%, Spain by 1.2 % and the downward trend in Portugal is even 4.0 %. The still ongoing significant fiscal and monetary actions undertaken by governments and central banks in Europe continue to contribute to support the economic recovery. The net interest income on operating activities is expected to recover gradually due to a reduced volatility of interest rates and credit spreads. Furthermore, volatility in the fair market values of derivative instruments will have a positive impact to the profit before taxation of the company. In the light of the environment discussed above, the company believes that overall it will have a moderately better performance in the financial year 2012.

In November 2011, Raoul van der Meeren replaced Dr. Joachim Hensel as managing director of the Company. During 2011 the Company employed 8 persons. In addition, BMW España Finance SL employed 14 persons, BMW Portugal Lda. employed 37 persons and BMW Renting (Portugal) Lda. employed none.

The Hague, 25 April 2012

N. Mayer	**J.-C. Koenders**	**R. van der Meeren**
Director	**Director**	**Managing Director**

To the best of our knowledge, and in accordance with the applicable reporting principles of International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, the Annual Report gives a true and fair view of the assets, liabilities, financial position and profit or loss of BMW Finance N.V., and the BMW Finance N.V. Directors' Report includes a fair review of the development and performance of the business and the position of BMW Finance N.V., together with a description of the principal opportunities and risks associated with the expected development of BMW Finance N.V.

BMW Finance N.V.

The Hague, 25 April 2012

N. Mayer	**J.-C. Koenders**	**R. van der Meeren**
Director	**Director**	**Managing Director**

BMW Finance N.V.
Consolidated statement of comprehensive income

in euro thousand	Notes	2011	2010
Revenues	[3]	342,037	–
Cost of Sales	[4]	(332,079)	–
Gross Profit		**9,958**	**–**
Interest income BMW Group companies		610,532	570,442
Interest income Third parties		495,708	381,065
Interest income	[5]	**1,106,240**	**951,507**
Interest expense BMW Group companies		(20,432)	(8,489)
Interest expense Third parties		(1,134,173)	(984,735)
Interest expense	[5]	**(1,154,605)**	**(993,224)**
Interest margin		**(48,365)**	**(41,717)**
Other financial income and expenses	[6]	(536)	(172)
Result from financial transactions	[7]	(28,487)	100,027
Financial result		**(77,388)**	**58,138**
Miscellaneous income & expenses	[8]	(22,491)	(2,948)
Income before taxation		(89,921)	55,190
Taxes	[9]	20,565	(9,913)
Net income / (loss)		**(69,356)**	**45,277**
Attributable minority interest		(11)	–
Attributable to Shareholders of BMW Finance N.V.		(69,345)	45,277
Earnings per share of common stock in euro		(19,816)	12,936

Statement of Comprehensive income

in euro thousand	2011	2010
Net income	(69,356)	45,277
Effective portion of changes in fair value of cash flow hedges	(1,791)	(661)
Deferred tax on other comprehensive income	450	169
Other comprehensive income for the period after tax	**(1,341)**	**(492)**
Total comprehensive income for the period	**(70,697)**	**44,785**

BMW Finance N.V.
Consolidated statement of financial position
As at 31 December (Before appropriation of result)

Assets in euro thousand	Notes	31.12.2011	31.12.2010
Property, plants and equipments	[11]	79,599	85,668
Equity investments	[12]	87,417	82,717
Receivables from BMW Group companies	[13]	9,532,245	6,510,607
Marketable securities	[15]	58,000	58,000
Derivative assets	[30]	654,901	499,780
Deferred tax assets	[19]	6,493	1,915
Non-current assets		**10,418,655**	**7,238,687**
Receivables from BMW Group companies	[13]	16,478,336	15,772,179
Receivables from sales financing	[14]	515	1,039
Inventories	[16]	39,286	33,494
Derivative assets	[30]	109,126	69,771
Interest receivables and other receivables	[17]	371,942	347,532
Cash and cash equivalents	[18]	83,044	280,383
Current assets		**17,082,249**	**16,504,398**
Total assets		**27,500,904**	**23,743,085**

Equity and liabilities in euro thousand	Notes	31.12.2011	31.12.2010
Issued capital	[20]	1,750	1,750
Share premium reserve	[21]	55,488	55,488
Hedging reserve	[22]	(1,006)	335
Retained earnings		283,046	304,028
Undistributed income		(69,345)	45,277
Minority interest	[23]	61	72
Equity		**269,994**	**406,950**
Debt securities	[24]	13,369,805	12,502,411
Loans due to banks	[25]	3,381,503	2,934,481
Liabilities due to BMW Group companies	[26]	38,000	33,500
Derivative liabilities	[30]	164,554	204,336
Deferred tax liabilities	[19]	–	115
Other liabilities	[29]	1,500	1,483
Non-current liabilities		**16,955,362**	**15,676,326**
Debt securities	[24]	8,452,717	6,276,343
Loans due to banks	[25]	76,844	431,774
Liabilities due to BMW Group companies	[26]	1,104,254	308,647
Derivative liabilities	[30]	78,989	53,843
Income tax liabilities	[28]	12,506	27,711
Interest payables and other liabilities	[29]	550,238	561,491
Current liabilities		**10,275,548**	**7,659,809**
Total equity and liabilities		**27,500,904**	**23,743,085**

BMW Finance N.V.
Consolidated statement of cash flows

in euro thousand	2011	2010
Net income for the year	(69,356)	45,277
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	(1,341)	(492)
Fair value measurement losses/(gains)	30,890	(23,362)
Taxes	(19,896)	(3,844)
Amortisation financial instruments	8,836	5,403
Dividend distribution in kind	(66,259)	–
Changes in operating assets and liabilities		
Property, plants and equipments	6,069	(1)
Receivables from BMW Group companies	(3,727,795)	(1,321,018)
Receivables and other assets	(23,887)	(71,061)
Derivatives	(61,031)	(146,541)
Debt securities	2,855,961	419,332
Loans due to banks	92,091	1,407,667
Liabilities to BMW Group companies	779,971	(116,930)
Other liabilities	(11,236)	19,053
Inventory	(5,792)	–
Income tax (paid)/received	20,136	(12,552)
Cash flow from operating activities	**(192,639)**	**200,931**
Capital injection in subsidiaries	(4,700)	(12,898)
Marketable securities	–	(58,000)
Cash flow from investing activities	**(4,700)**	**(70,898)**
Cash flow from financing activities	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	(197,339)	130,033
Cash from BMW Portugal Lda. and BMW Renting (Portugal) Lda.	–	47,241
Cash and cash equivalents at January 1	280,383	103,109
Cash and cash equivalents at December 31	**83,044**	**280,383**

See Note 33 of the Notes to the Consolidated Financial Statements

BMW Finance N.V.
Consolidated statement of changes in equity

in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Minority interest	**Total**
1 January 2010	**1,750**	**36,226**	**827**	**275,446**	**7,760**	**–**	**322,009**
Total result 2010 recognised in the profit and loss account					45,277		**45,277**
Total result 2010 recognised directly in equity			(492)				**(492)**
Total comprehensive income and expense in the period	**–**	**–**	**(492)**	**–**	**45,277**	**–**	**44,785**
Appropriation of results 2009				7,760	(7,760)		**–**
Transactions with owners recorded directly in equity							
Contribution in kind of BMW Portugal Lda. and BMW Renting (Portugal) Lda.		19,262		20,822		72	**40,156**
31 December 2010	**1,750**	**55,488**	**335**	**304,028**	**45,277**	**72**	**406,950**
Total result 2011 recognised in the profit and loss account					(69,345)	(11)	**(69,356)**
Total result 2011 recognised directly in equity			(1,341)				**(1,341)**
Total comprehensive income and expense in the period	**–**	**–**	**(1,341)**	**–**	**(69,345)**	**–**	**(70,697)**
Appropriation of results 2010				45,277	(45,277)		**–**
Transactions with owners recorded directly in equity							
Dividend distribution in kind				(66,259)			**(66,259)**
31 December 2011	**1,750**	**55,488**	**(1,006)**	**283,046**	**(69,345)**	**61**	**269,994**

Due to internal restructuring BMW Overseas Enterprises N.V. has been transferred by means of a dividend distribution of euro 66.3 million from the Company to its parent, BMW Holding B.V. The amount is the net asset value of BMW Overseas Enterprises N.V.

Reporting entity

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 a wholly owned subsidiary of BMW Intec Beteiligungs GmbH, a wholly owned subsidiary of 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 8 persons. The Company has no Supervisory Board.

Statement of compliance

The consolidated financial statements of BMW Finance N.V. have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and issued by the International Accounting Standards Board (IASB) and with Part 9 of Book 2 of the Netherlands Civil Code.

The 2011 Annual Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 25 April 2012 and will be submitted for approval to the Annual General Meeting of Shareholders on 8 May 2012.

Solvency

Given the objectives of the Company, the Company is economically interrelated with the ultimate holding company, BMW AG, Germany. In assessing the solvency and general risk profile of the Company, the solvency of the BMW Group as a whole, headed by BMW AG, needs to be considered.

Basis of preparation

Functional and presentation currency

The financial year contains the period from 1 January to 31 December. The consolidated financial statements are presented in euro which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated in the notes.

Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align with policies adopted by the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The subsidiaries BMW Portugal Lda. and BMW Renting (Portugal) Lda. have effectively been consolidated as of 31 December 2011 in these financial statements. In June 2011 the Company contributed in kind its share holding (99.8% of total shares) including the shares of BMW Renting (Portugal) Lda. in BMW Portugal Lda., Porto Salvo, Portugal to BMW España Finance S.L.

The other entity that is fully consolidated in these consolidated financial statements is BMW España Finance S.L.

Furthermore, as of 28 December 2011 the subsidiary BMW Overseas Enterprises N.V. has been transferred to BMW Holding B.V by means of a dividend distribution. The 2011 results of BMW Overseas Enterprises have been consolidated in these financial statements.

Investments in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the financial statement of financial position:

Financial assets and liabilities are measured at their fair value:
- certain equity investments;
- derivative financial instruments.
- recognised financial assets and liabilities that are part of fair value hedge relationships are measured at fair value in respect of the risk that is hedged.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, assumptions and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected. Due to the current financial market conditions, the estimates contained in this document concerning the operations, economic performance and financial condition of the Company are subject to known and unknown risks, uncertainties and contingencies, many of which are beyond the control of the management of the Company, which may cause actual results, performance or achievements to differ materially from anticipated results, performance or achievements. Also, the estimates are based upon management's estimates of fair values and of future costs, using currently available information. Factors that could cause differences include, but are not limited to:
- risks of economic slowdown, downturn or recession, especially in the countries of subsidiaries invested in;
- risks inherent in changes in market interest rates and quality spreads, especially in an environment of unpredictable financial market conditions;
- lending conditions to companies turning to the worse, thereby increasing the cost of borrowing;
- changes in funding markets, including commercial paper and term debt;
- uncertainties associated with risk management, including credit, prepayment, asset/liability, interest rate and currency risks;
- changes in laws or regulations governing our business and operations, and
- changes in competitive factors.

For the valuation of financial instruments the most significant assumptions and estimates relate to the interest rates and expected cash flows used in the valuation models.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected.

Comparative figures

Where necessary comparative figures in the notes to the Financial Statements have been adjusted to conform to changes in presentation in the current year.

Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Loans and receivables

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

Interest rate and currency swaps are valued by using discounted cash flow models. This method implements the discounting of future cash flows using yield curves of the cash flows' currency and relevant credit spreads. 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 by using discounted cash flow models. 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.

Non derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Changes in accounting policies

There have been no relevant significant changes of accounting policies in 2011.

[1] Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Company's subsidiaries, except as explained in note which addresses changes in accounting policies.

Accounting for business combinations

The Company applies the acquisition method for the business combinations, other than those under common control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Company measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Company and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

The Company measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

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. Quotations of market rates are obtained from Reuters Ltd. Real time rates are frozen on daily basis.

Property, plants and equipments

All items of property 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 and equipment reflects the pattern of their usage and is generally computed using the straight-line method. Components of items of property and equipment with different useful lives are depreciated separately.

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

Office buildings	8 to 50 years
Other equipment	4 to 21 years
Leased assets	2.5 to 10 years

Property, plants and equipments also include assets relating to leases. The Company 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 installments are recognised as financial liabilities.

Where products are recognised by the Company 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.

Financial instruments

Equity investments

The equity investments in which the Company has no significant influence are carried:

(1) At fair value when a quoted market price in an active market is available or when fair value can be estimated reliably using a valuation technique. Unrealised gains or losses are reported in the available for sale reserve net of applicable income taxes until such investments are sold, collected or otherwise disposed of, or until such investment is determined to be impaired. Foreign exchange differences are reported as part of the fair value change in shareholders' equity. On disposal of the available for sale investment, the accumulated unrealised gain or loss included in shareholders' equity is transferred to profit or loss.

(2) At cost or lower recoverable amount if the fair value cannot be estimated reliably. In line with IAS 39, the fair value of equity investments that do not have a quoted market price in an active market is only reliably measurable if:
   - the variability in the range of reasonable fair value estimates is not significant for that instrument; or
   - the probabilities of the various estimates within the range can be reasonably assessed and used in estimating the fair value.

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise receivables from BMW group companies, trade and other receivables (see note 13 and 17).

Marketable securities

The Company classifies its non-current marketable securities as loans and receivables, since no quoted market prices are available and the fair value cannot be determined reliably.

Cash and cash equivalents (including Euro cash pool)
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. The Company is holder of the 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.

Non-derivative financial liabilities
The Company initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: debt securities, loans due to banks, loans due to BMW Group companies and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Share capital
Ordinary shares are classified as equity. There are no preference share capital or compound financial instruments issued by the Company.

Derivative financial instruments, including hedge accounting
The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Other non-trading derivatives
When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

Financial guarantees
Financial guarantee contracts are accounted initially at their fair value, and subsequently measured at the higher of:
- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions.
- Contingent liabilities and contingent assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies as set out in financial income.

The fees related to the guarantees are recognised in the income statement on an accrual basis over the commitment period.

Hedge accounting
On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125 percent.

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income

and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in the other comprehensive income is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified in profit or loss.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Receivables from sales financing

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. 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.

Inventories

Inventories of supplies and goods for resale, primarily BMW and MINI vehicles, are stated at the lower of average acquisition cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. A provision for obsolete stock is accounted for the difference between acquisition cost and the net realisable value.

Revenues

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. 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

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.

Financial result

The financial result is the difference between financial income and financial costs. Financial income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Financial costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

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. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends (i.e. withholding taxes).

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 contribution plan and are recognised as an expense in income statement when they are due. The Group plan is presented in note 27.

Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Segment reporting

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 2).

The activities of the Company are broken down into the operating segments Automobiles, Motorcycles, Financial Services and Intergroup financing.

[2] Segment information

Given the nature of the activities of the Company, the most significant segment is Intergroup financing as this includes the intergroup financing activities. In the consolidated financial statements the other operating segments are Automobiles (including Motorcycles) and Financial Services.

The Automobiles segment sells cars, motorcycles and off-road vehicles, under the brands BMW and MINI as well as spare parts and accessories. This segment includes operating company BMW Portugal Lda.

The principal lines of business of the Financial Services segment are car leasing, fleet business, retail customer and dealer financing. This segment includes operating company BMW Renting (Portugal) Lda. Holding and Group financing companies are included in the Intergroup financing segment, which includes operating companies BMW Finance N.V. and BMW España Finance S.L.

Eliminations comprise the effects of eliminating business relationships between the operating segments. 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 Automobiles segment is 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 Intergroup financing segment is assessed on the basis of profit or loss before tax. The corresponding measure of segment assets used to manage the Intergroup financing segment is total assets less tax receivables and investments.

The segment information with respect to the balance sheet items is as follows:

31 December 2011 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Group 2011
Property, plant & equipment	795	78,793	11	–	**79,599**
Equity investments	15,642	–	438,609	(366,834)	**87,417**
Receivables from BMW Group Companies	16,789	953	26,036,344	(43,505)	**26,010,581**
Receivables from sales financing	–	515	–	–	**515**
Marketable security	–	–	58,000	–	**58,000**
Inventories	39,286	–	–	–	**39,286**
Derivative assets	–	–	766,640	(2,613)	**764,027**
Other receivables and miscellaneous assets	6,037	4,974	360,931	–	**371,942**
Deferred tax assets	4,654	–	1,839	–	**6,493**
Cash and cash equivalents	8,513	–	74,531	–	**83,044**
Total assets	**91,716**	**85,235**	**27,736,905**	**(412,952)**	**27,500,904**
Equity	**34,371**	**11,954**	**590,503**	**(366,834)**	**269,994**
Debt securities	–	–	21,822,522	–	**21,822,522**
Loans due to banks	–	6,841	3,451,506	–	**3,458,347**
Liabilities due to BMW Group Companies	21,529	63,469	1,099,977	(42,721)	**1,142,254**
Tax liabilities	12,547	(75)	34	–	**12,506**
Derivative liabilities	–	–	246,156	(2,613)	**243,543**
Other liabilities	23,268	3,047	526,206	(783)	**551,738**
Total liabilities	**57,344**	**73,282**	**27,146,401**	**(46,117)**	**27,230,910**

31 December 2010 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Group 2010
Property, plant & equipment	1,258	84,404	6	–	**85,668**
Equity investments	15,642	–	372,333	(305,258)	**82,717**
Receivables from BMW Group Companies	30,839	561	22,370,672	(119,286)	**22,282,786**
Receivables from sales financing	–	1,039	–	–	**1,039**
Marketable security	–	–	58,000	–	**58,000**
Inventories	33,494	–	–	–	**33,494**
Derivative asset	–	–	572,493	(2,942)	**569,551**
Other receivables and miscellaneous assets	5,697	5,100	336,735	–	**347,532**
Deferred tax assets	1,711	–	204	–	**1,915**
Cash and cash equivalents	47,421	–	232,962	–	**280,383**
Total assets	**136,062**	**91,104**	**23,943,405**	**(427,486)**	**23,743,085**
Equity	**43,974**	**11,824**	**656,410**	**(305,258)**	**406,950**
Debt securities	–	–	18,778,754	–	**18,778,754**
Loans due to banks	–	8,588	3,357,667	–	**3,366,255**
Liabilities due to BMW Group Companies	41,370	68,416	351,121	(118,760)	**342,147**
Tax liabilities	28,905	(520)	(559)	–	**27,826**
Derivative liabilities	–	–	261,091	(2,912)	**258,179**
Other liabilities	21,813	2,796	538,921	(556)	**562,974**
Total liabilities	**92,088**	**79,280**	**23,286,995**	**(122,228)**	**23,336,135**

The segment information with respect to the income statement items is as follows:

2011 in euro thousand	Automobiles	Financial Services	Intergroup financing	Eliminations	Group 2011
Revenues	300,698	41,400	–	(61)	**342,037**
Cost of sales	(294,018)	(38,093)	–	32	**(332,079)**
Interest income	1,123	–	1,108,029	(2,912)	**1,106,240**
Interest expenses	(2,032)	(2,361)	(1,153,124)	2,912	**(1,154,605)**
Other financial income and expenses	(117)	238	(657)	–	**(536)**
Result from financial transactions	–	–	(28,487)	–	**(28,487)**
Miscellaneous income and expenses	(17,819)	(732)	(3,969)	29	**(22,491)**
Taxes	2,562	(322)	18,325	–	**20,565**
Segment result	**(9,603)**	**130**	**(59,883)**	**–**	**(69,356)**

All income statement items 2010 relate to the segment Intergroup financing.

[3] Revenues

Revenues by activity comprise the following:

in euro thousand	2011
Sales of products and related goods	300,637
Income from lease instalments	41,400
Total	**342,037**

The subsidiaries BMW Portugal Lda. and BMW Renting (Portugal) Lda. have effectively been consolidated as of 31 December 2011 in these financial statements, therefore revenues and cost of sales 2010 are not included in the financial statements.

[4] Costs of sales

Costs of sales comprises:

in euro thousand	2011
Material costs	(306,743)
Depreciation	(20,791)
Warranty and goodwill	(852)
Freight	(1,828)
Other costs	(1,865)
Total	**(332,079)**

The subsidiaries BMW Portugal Lda. and BMW Renting (Portugal) Lda. have effectively been consolidated as of 31 December 2011 in these financial statements, therefore revenues and cost of sales 2010 are not included in the financial statements.

[5] Interest income and expense

Total interest income and expense for financial assets and liabilities comprise the following:

in euro thousand	2011	2010
Interest income on financial assets at amortised cost	835,026	577,741
Interest income on financial assets at fair value	271,214	373,766
Interest Income	**1,106,240**	**951,507**
Interest expense on financial liabilities at amortised cost	(513,142)	(405,760)
Interest expense on financial liabilities at fair value	(641,463)	(587,464)
Interest Expense	**(1,154,605)**	**(993,224)**
Interest margin	**(48,365)**	**(41,717)**

Asset and liabilities at fair value stem from financial derivative instruments. Non derivative financial instruments have not been measured at fair value unless included in a hedging relationship.

In 2011 the interest rate result was positively affected by a liquidity fee of BMW AG of euro 56.6 million for maintaining a liquidity buffer for group strategic purposes. This fee is calculated over the surplus liquidity at BMW Finance N.V. In this case the average costs of funds are compared with the proceeds of the surplus liquidity.

[6] Other financial income and expenses

The item comprises a loss of euro 0.5 million (2010: loss euro 0.2 million) due to exchange rate differences related mainly to unhedged liabilities. All other positions in foreign currencies are fully hedged through natural hedges or hedged with the use of derivatives.

[7] Result from financial transactions

in euro thousand	2011	2010
Ineffective portion of instruments included in a hedge relationship	(6,032)	57,992
Revaluation of derivatives not included in a hedge relationship	(22,455)	42,035
Total	**(28,487)**	**100,027**

The revaluation of derivatives not included in a hedge relationship is mainly related to interest rates swaps to hedge the portfolio (see note 30).

[8] Miscellaneous income & expenses

in euro thousand	2011	2010
Sales costs	(10,528)	–
Salaries & social security charges	(5,611)	(1,836)
Pension premiums	(55)	(28)
Advisory	(1,414)	(350)
Other miscellaneous income & expenses	(4,883)	(734)
Total	**(22,491)**	**(2,948)**

[9] Taxes

Income taxes comprise the following:

in euro thousand	2011	2010
Current tax income/(expense)	16,323	(13,223)
Deferred tax income/(expense)	4,242	3,310
Total tax income/(expense) in income statement	**20,565**	**(9,913)**

Reconciliation of the effective tax rate:

in euro thousand	2011	2010
Income before tax	(89,921)	55,190
Income tax using the domestic corporate tax rate	25% - 30% 18,325	25.5%-30% (14,788)
Change in deferred taxes through income statement	4,242	3,310
Tax charges related to other periods	(1,680)	–
Withholding tax charges	(322)	–
Settlement with Dutch Tax Authority	–	1,565
Total tax income/(expense) in income statement	**20,565**	**(9,913)**
Effective tax rate	**22.9%**	**18.0%**

The Company has agreed to use the IFRS accounting as a basis for the current tax calculation in The Netherlands. 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. The wholly owned subsidiary 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. BMW Portugal Lda. presides over a fiscal unity with its subsidiary BMW Renting (Portugal) Lda. for income tax and is severally liable for the tax debt of the whole Portuguese fiscal unity.

The change in deferred taxes through income statement relates to incurred tax losses in BMW Portugal Lda. and BMW España Finance S.L. and its other Spanish subsidiaries for the fiscal unity. The Company expects these fiscal losses will be recovered in subsequent years. The Company paid additional taxes related to the period 2007 to 2009 of euro 1.7 million due to the tax settlement in 2011 of all periods until 2009.

[10] Remuneration of Board of Directors

In 2011, the remuneration of the Board of Directors amounted euro 0.3 million (2010: euro 0.3 million).

[11] Property, plants and equipments

The property, plants and equipments consist of buildings and other structure, leased out products and office equipment.

in euro thousand	31.12.2011	31.12.2010
Buildings and other structures	151	243
Office equipments	665	1,032
Leased out products	78,783	84,393
Total	**79,599**	**85,668**

Changes in property, plants and equipments during financial year 2011

The movements in the property, plants and equipments during the financial year are as follows:

in euro thousand	Buildings and other structures	Office equipment	Leased out products	Total
Cost				
Balance at 31 December 2010	262	1,167	135,019	136,448
Changes due to newly consolidated companies			6,130	6,130
Balance at 31 December 2011	262	1,167	141,149	142,578
Accumulated depreciation and provisions				
Balance at 31 December 2010	(19)	(135)	(50,626)	(50,780)
Accumulated depreciations due to newly consolidated companies	(92)	(367)		(459)
Leasing down payment			(11,740)	(11,740)
Balance at 31 December 2011	**(111)**	**(502)**	**(62,366)**	**(62,979)**
Carrying amount				
Balance at 31 December 2010	243	1,032	84,393	85,668
Balance at 31 December 2011	**151**	**665**	**78,783**	**79,599**

Leased out products

The Company, as lessor, leases out assets (predominantly vehicles and motorcycles) as part of its financial services business. The lease payments of euro 130.3 million (2010: euro 133.5 million) from non-cancellable operating leases mature as follows:

in euro thousand	31.12.2011	31.12.2010
Within one year	36,195	1,366
Between one and five years	94,117	132,183
Later than five years	–	–
Total leased products	**130,312**	**133,549**

The agreements have, in part, extension and purchase options as well as price escalation clauses.

[12] Equity investments

The following table shows the Company's equity investments in the Group's subsidiaries and associates:

Name	Country of incorporation	Proportion of issued capital held	31.12.2011	31.12.2010
Silent partnership with BMW Holding B.V.	Spain	28%	87,417	82,717
Balance at end year			**87,417**	**82,717**

Change in investments:

In euro thousand	2011	2010
Balance at beginning of year	82,717	69,819
Acquisitions	–	–
Capital injections	4,700	12,898
Balance at end of year	**87,417**	**82,717**

Due to internal restructuring, one of the Company's subsidiaries, BMW Overseas Enterprises N.V., has been transferred to another BMW group company, BMW International Investment B.V. This transfer has been taken place by means of a dividend distribution of euro 58.4 million from the Company to its parent, BMW Holding B.V., which in turn transferred it further to BMW International Investment B.V. The transaction was performed under common control and did not result in a loss or a gain.

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.

Based on the silent partnership agreement the Company has no significant influence over their share in the equity investments included in the CCP. The investments are therefore accounted for as equity investments under IAS 39. The investment in the silent partnership is carried at cost.

The estimated fair value of the Company's interest in the CCP based on the Company's 28% share in the investments' net asset value amounts to euro 152.7 million as at 31 December 2011, which exceeds the above-mentioned book value by approximately euro 65.3 million. The net asset value has been calculated in accordance with the accounting principles as applied in the aggregation of the accounts of the BMW AG Group of companies.

The change to the Company investments in subsidiaries compared to 31 December 2010, relates to a euro 4.7 million capital contribution to its investment in BMW de Argentina, Buenos Aires, which is part of the CCP. The sales company in Argentina suffered a loss in 2011 due to importation restrictions of the Argentinean government. The capital contribution was needed to meet the legal requirements for equity.

[13] **Receivables from BMW Group companies**

in euro thousand	31.12.2011	31.12.2010
Non-current from BMW Group companies	9,532,245	6,510,607
Current receivables from BMW Group companies	16,478,336	15,772,179
Total receivables from BMW Group companies	**26,010,581**	**22,282,786**

The Company provided a subordinated loan of euro 34 million to Bavarian Sky S.A., Luxemburg (outstanding as at 31 December 2011 euro 4.9 million) to fund the cash reserve (second loss position) of the securitisation program as disclosed in note 15. The loan amounts to 4.25% of the total program's nominal value and matures contractually in January 2018. The coupon is based on 1 month Euribor plus a fixed credit spread. The first loss is covered by the program's excess spread. During the financial year no funds have been drawn from the cash reserve.

The weighted average maturity period and the weighted average effective interest rate of the receivables from BMW Group companies during the financial year 2011 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	707,466	2.08	2.60
Receivables from equity investments	9,565	2.13	2.22
Receivables from affiliated companies	24,627,433	1.28	2.06
Cash pool from BMW group companies	481,911	Daily	EONIA + spread
Trade receivables from BMW group companies	184,206	30 days	None
Total	**26,010,581**		

For the non-current receivables these figures were during the financial year 2010 as follows:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	1,079,335	2.30	1.82
Receivables from equity investments	110,688	0.18	3.48
Receivables from affiliated companies	20,528,989	1.18	2.14
Cash pool from BMW group companies	553,451	Daily	EONIA + spread
Trade receivables from BMW group companies	10,323	30 days	None
Total	**22,282,786**		

The following table shows the maturity structure of the receivables from BMW Group companies:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2011	16,478,336	8,890,784	641,461	**26,010,581**
31.12.2010	15,772,179	5,950,719	559,888	**22,282,786**

[14] Receivables from sales financing

The carrying amount of financial lease receivables comprises of:

in euro thousand	Carrying amount 31.12.2011	Fair value 31.12.2011	Carrying amount 31.12.2010	Fair value 31.12.2010
Due within one year	2,156	479	1,637	1,009
Due between one and five years	191	36	672	30
Due later than five years			22	–
Gross financial lease receivables	**2,347**	**515**	**2,331**	**1,039**
Specific provision	(1,824)		(1,282)	
General provision	(8)		(10)	
Net financial lease receivables	**515**		**1,039**	

There are no guaranteed residual values that fall to the benefit of the lessor. Provisions were measured and recognised on the basis of specific credit risks. Early redemption of lease payments is possible under certain conditions. As at 31 December 2011 the contingent interest income amounts to euro 18 thousand (2010: euro 18 thousand).

[15] Marketable securities

The Company has purchased all Class B notes amounting to euro 58 million of the euro 800 million Asset Backed Security issued by Bavarian Sky S.A., which is a Luxembourg limited liability company (Société Anonyme) incorporated on 26 April 2007. Bavarian Sky is recognised as a Special Purpose Entity in accordance with SIC 12 in the consolidated accounts of BMW AG. The Special Purpose Entity is structured as a bankruptcy-remote entity, thus insulating the transaction from the credit risk of the originator/seller (BMW Leasing GmbH), and is owned to 100% by Stichting Andesien, a foundation duly incorporated and validly existing under the laws of The Netherlands, having its registered office at Amsteldijk 166, 1079 LH Amsterdam, and registered with the trade register of the Chamber of Commerce in Amsterdam under number 34.272.266.

The portfolio consists of German car lease receivables of BMW Leasing GmbH (100% subsidiary of BMW AG) excluding residual value and its development is monitored monthly on the basis of the asset value report received monthly from Bavarian Sky S.A. The notes bear an interest of 1 month Euribor plus a spread of 105 basis points per annum and have a contractual maturity of 7.8 years at the beginning. The first principal payment and expected maturity is in April 2013.

The Company has not identified any impairment triggers for the notes and the subordinated loan. It is not possible to give an indication for the market value of the Class B notes as these notes are illiquid since no active market exists for these specific notes.

[16] Inventories

Inventories comprise the following:

in euro thousand	31.12.2011	31.12.2010
New vehicles	35,146	29,872
New motorcycles	1,811	708
Second hand vehicles and motorcycles	8,423	5,265
Vehicle and motorcycle parts	101	77
Total inventories	**45,481**	**35,922**
Provisions for obsolete vehicles, motorcycles and parts	(6,195)	(2,428)
Net realisable value	**39,286**	**33,494**

[17] Interest receivables and other receivables

in euro thousand	31.12.2011	31.12.2010
Interest receivables third parties	360,928	336,045
Other receivables	5,976	6,439
Leasing prepayments	5,038	5,048
Total	**371,942**	**347,532**

Interest receivables due by third parties comprises of accrued interest on interest rate swaps entered into by the Company. Other receivables comprises primarily of trade receivables in the automotive operating segment. Leasing prepayments mainly relate to advances of operating lease payments.

[18] Cash and cash equivalents

Cash and cash equivalents include the items as stated below, all with maturity less than three months and are freely disposable to the Company.

in euro thousand	31.12.2011	31.12.2010
Bank balances	13,644	76,483
Call deposits	69,400	203,900
Total	**83,044**	**280,383**

[19] Deferred taxes

Deferred tax assets and liabilities at 31 December are attributable to the following temporary differences:

in euro thousand	31.12.2011	31.12.2010
Tax loss carry-forwards	1,504	204
Provisions	4,654	1,711
Derivatives	335	(115)
Net asset/(liability)	**6,493**	**1,800**
Reconciliation to the deferred taxes recognised in the balance sheet:		
Deferred tax asset	6,493	1,915
Deferred tax liability	–	(115)
Total	**6,493**	**1,800**

A deferred tax asset has been recognised for the carry-forward of unused tax losses and unused tax credits of the companies in the silent partnership. The deferred tax asset with respect to provisions relate to temporary differences in provisions that are considered locally as non-deductable tax expenses. Deferred taxes for derivatives relate to the revaluation of derivative financial instruments included in a cash flow hedge relationship. The cash flow hedge derivatives (including deferred taxes) recognised directly against equity amount to euro 1.0 million (2010: euro 0.3 million).

The changes during the financial year in the deferred tax assets/liabilities were as follows:

in euro thousand	
Balance at beginning of the year	**1,800**
Change as a result of temporary differences in the financial year recognised in profit or loss	4,243
Change as a result of temporary differences in the financial year recognised directly in equity	450
Balance at end of the year	**6,493**

[20] 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 2010, there were no changes in these figures. The Company generated an earning per share of negative euro 19,816 (2010: gain of euro 12,936).

[21] Share premium reserve

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

[22] Hedging reserve

At 31 December 2011, the amount of the fair value measurement of financial instruments recognised directly in equity amounted to euro 1.0 million negative (2010: euro 0.3 million negative) net of deferred taxes. The hedging reserve as at 31 December 2011 is related to cash flow hedges.

[23] Minority interests

Minority interest relates to BMW Group AG that holds 0.2% of BMW (Portugal) Lda. and 0.2% of BMW Renting Portugal Lda. BMW España Finance SL. has the remaining 99.8% of the total shares of these entities.

[24] Debt securities

Debt securities include both hedged and unhedged debt securities, as well as commercial paper.

in euro thousand	31.12.2011	31.12.2010
Debt securities part of a fair value hedge relationship	12,595,733	11,092,857
Debt securities part of a cash flow hedge relationship	95,774	112,260
Debt securities at amortised cost	5,604,121	4,568,753
Commercial paper	3,526,894	3,004,884
Total	**21,822,522**	**18,778,754**

The Bonds under the EMTN Program and other securities issued by BMW Finance comprise:

Interest	Currency	Issue volume in millions	Weighted average remaining maturity period (in years)	Weighted average effective interest rate (in %)
Variable	AUD	200	1.5	5.5
Variable	EUR	1,020	1.7	1.1
Variable	HKD	300	3.0	1.3
Variable	JPY	8,500	2.1	0.8
Variable	SEK	3,240	1.7	3.4
Variable	USD	220	1.8	1.2
Fixed	AUD	350	3.7	6.7
Fixed	CAD	125	2.0	2.2
Fixed	CHF	300	6.0	1.7
Fixed	EUR	13,508	6.0	4.6
Fixed	GBP	300	7.0	5.2
Fixed	HKD	836	3.0	2.0
Fixed	JPY	39,100	1.1	0.6
Fixed	NOK	4,100	3.0	3.8
Fixed	NZD	100	3.0	4.8
Fixed	RON	44	3.0	10.5
Fixed	SEK	1,000	3.0	3.8
Fixed	USD	300	5.2	5.2

BMW AG unconditionally and irrevocably guarantees all debt securities of the Company, including debt securities issued under the EMTN Programme.

The EMTN Programme of a total of euro 30.0 billion has been used in several currencies by the Company. In 2011 the Company issued 55 notes with an equivalent of euro 5.7 billion (2010: euro 2.9 billion). Further issuers are BMW AG, BMW US Capital LLC, BMW Coordination Center V.O.F., BMW Australia Finance Limited, BMW (UK) Capital plc and BMW Japan Finance Corp. Furthermore the Company participates in the euro 5.0 billion Multi-Currency Commercial Paper Programme established by BMW AG. BMW Finance N.V., BMW UK Capital and BMW Coordination Center support flexible and broad access to capital markets. Since May 2006, the Company acts as an issuer under the euro 2.0 billion French Commercial Paper (Billets de Trésorerie) Programme established by the Company. Debt issuances under these programmes have unconditional and irrevocable guarantees from BMW AG.

The outstanding balances with respect to the commercial paper programs at year-end are fully related to the euro 5.0 Multi-Currency Commercial Paper Program. The average maturity and interest rates are presented in the table below:

Euro 5.0 Multi-Currency Commercial Paper Program	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
in euro thousand	2011	2010	2011	2010	2011	2010
Total	**3,526,894**	**3,004,884**	**0.28**	**0.13**	**1.32**	**0.95**

[25] Loans due to banks

The average maturity and interest rates are presented in the table below:

	Outstanding		Weighted average maturity period (in years)		Weighted average effective interest rates (in %)	
in euro thousand	2011	2010	2011	2010	2011	2010
Total	**3,458,347**	**3,366,255**	**5.80**	**3.14**	**2.03**	**1.20**

[26] 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
31.12.2011	1,104,254	38,000	–	1,142,254
31.12.2010	308,647	33,500	–	342,147

The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	52,500	1.88	2.79
Liability due to equity investments	28,495	0.04	0.87
Liability due to affiliated companies	146,202	0.38	1.08
Cash pool due to group companies	889,835	daily	EONIA + spread
Trade payables due to BMW group companies	25,222	30 days	none
Total	**1,142,254**		

For the liabilities these figures were during the financial year 2010 as follows:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	40,882	2.27	2.69
Liability due to equity investments	3,007	30 days	none
Liability due to affiliated companies	27,377	0.20	0.99
Cash pool due to group companies	211,895	daily	EONIA + spread
Trade payables due to BMW group companies	58,986	30 days	none
Total	**342,147**		

[27] 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 a wholly owned subsidiary of BMW Holding B.V. This pension plan ("Group plan") provides pension benefits for employees upon retirement.

BMW España Finance S.L., BMW Portugal Lda., BMW Renting (Portugal) Lda. participate in a defined contribution plan.

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"). 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	2011	2010
Interest rate for discounting liabilities	4.75%	4.75%
Salary increase rate	2.35%	2.00%
Inflation	2.35%	2.25%
Expected return on plan assets	4.75%	4.75%

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	31.12.2011	31.12.2010
Present value of the obligation	40,919	36,017
Fair value of plan assets	(35,509)	(30,816)
Liability / (Asset)	**5,410**	**5,201**

The Group plan gave rise to a total pension expense in fiscal year 2011 of euro 1.9 million (2010: euro 0.9 million) comprising the following components:

in euro thousand	2011	2010
Current service cost	845	669
Interest cost	1,747	1,630
Expected return on plan assets	(1,497)	(1,639)
Additional charges	807	237
Net Periodic Pension Cost	**1,902**	**897**

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

in euro thousand	2011	2010
Balance sheet begin of the year	5,201	1,124
Pension expense	1,902	897
Expense recognised in SORIE	236	4,687
Contributions received	(1,929)	(1,507)
Liability/(Asset) recognised in balance sheet at the end of financial year	**5,410**	**5,201**

[28] Income tax liabilities

Income tax liabilities primarily comprises of VAT and automotive taxes liabilities of BMW Portugal Lda. and BMW Renting (Portugal) Lda.

[29] Interest payables and other liabilities

in euro thousand	31.12.2011	31.12.2010
Interest payables to third parties	525,475	538,383
Other liabilities	26,263	24,591
Total	**551,738**	**562,974**

Interest payables to third parties are related to debt securities and interest rate swaps entered into by the Company for hedging purposes.

[30] Financial Instruments

The carrying amounts and fair values of financial instruments are analysed below by IAS 39 category. The derivatives that are part of a hedge relationship are recorded in the respective hedge accounting category:

31 December 2011 in euro thousand	Loans and receivables	Other financial liabilities	Held for trading	Cash flow hedges	Fair value hedges	Total
Assets						
Equity investment			87,417			**87,417**
Derivative instruments			108,561		655,466	**764,027**
Marketable securities	58,000					**58,000**
Receivables from sales financing	515					**515**
Other Receivables	371,942					**371,942**
Cash and Cash equivalents	83,044					**83,044**
Receivables from BMW group companies	26,010,581					**26,010,581**
Total of financial assets	**26,524,082**		**195,978**		**655,466**	**27,375,526**
Liabilities						
Debt securities		9,131,015		95,774	12,595,733	**21,822,522**
Loans due to banks		3,458,347				**3,458,347**
Derivative instruments			152,661	25,168	65,714	**243,543**
Other liabilities		551,738				**551,738**
Liabilities due to group companies		1,142,254				**1,142,254**
Total of financial liabilities		**14,283,354**	**152,661**	**120,942**	**12,661,447**	**27,218,404**

31 December 2010 in euro thousand	Loans and receivables	Other financial liabilities	Held for trading	Cash flow hedges	Fair value hedges	Total
Assets						
Equity investment			82,717			**82,717**
Derivative instruments			60,872	20,156	488,523	**569,551**
Marketable securities	58,000					**58,000**
Receivables from leasing	1,039					**1,039**
Other Receivables	347,532					**347,532**
Cash and Cash equivalents	280,383					**280,383**
Receivables from BMW group companies	22,282,786					**22,282,786**
Total of financial assets	**22,969,740**		**143,589**	**20,156**	**488,523**	**23,622,008**
Liabilities						
Debt securities		7,573,637		112,260	11,092,857	**18,778,754**
Loans due to banks		3,366,255				**3,366,255**
Derivative instruments			97,769	54,831	105,579	**258,179**
Other liabilities		562,974				**562,974**
Liabilities due to group companies		342,147				**342,147**
Total of financial liabilities		**11,845,013**	**97,769**	**167,091**	**11,198,436**	**23,308,309**

Fair value measurement of financial instruments
The fair values shown are computed using market information available at the balance sheet date 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:

%	EUR	USD	JPY	CHF	GBP
Interest rate for 6 months	1.62	0.81	0.34	0.09	1.38
Interest rate for one year	1.41	0.68	0.36	0.05	1.35
Interest rate for five years	1.72	1.23	0.48	0.58	1.56
Interest rate for 10 years	2.38	2.04	0.99	1.23	2.29

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. measured at their fair values in an active market for identical financial instruments (level 1),
2. measured at their fair values in an active market for comparable financial instruments or using measurement models whose main input factors are based on observable market data (level 2),
3. using input factors not based on observable market data (level 3).

The model used is assumed to grade level 2, and therefore, similar to 2010, all positions at recognised at fair value are regarded as level 2 valuations. No transfers between levels have been made.

The fair values in the financial asset and liability categories approximate their carrying values, except for the BMW Group receivables with a fixed interest rate, non-hedged debt securities and other (intercompany) payables with a fixed interest rate.

BMW Group receivables are valued at amortised cost. The underlying changes to the fair value of these assets are therefore not recognised in the balance sheet. The Company does not apply hedge accounting to loans to the intercompany receivables with a fixed interest rate. At 31 December 2011, the indicative fair value using the zero-coupon method, of these loans was euro 473.6 million above their carrying value (2010: euro 527.1 million).

The non-hedged debt securities and other (BMW Group) payables with a fixed interest rate are valued at amortised cost. The carrying value exceeds the indicative fair value, using the zero-coupon method, by an amount of euro 101.0 million (2010: euro 189.9 million).

The notional amounts and fair values of derivative financial instruments of the Company are shown in the following analysis. In accordance with internal guidelines, the nominal amounts of the derivative financial instruments correspond to the volume of the hedged items.

in euro thousand	Notional amount 31.12.2011	Fair value amount 31.12.2011	Notional amount 31.12.2010	Fair value amount 31.12.2010
Assets				
Foreign currency derivatives	1,047,099	190,997	6,620,945	140,693
Interest rate derivatives	2,077,000	573,030	13,148,318	428,858
Total	**3,124,099**	**764,027**	**19,769,263**	**569,551**
Liabilities				
Foreign currency derivatives	10,580,148	198,418	1,464,802	224,483
Interest rate derivatives	15,732,318	45,125	4,074,318	33,696
Total	**26,312,466**	**243,543**	**5,539,120**	**258,179**

Gains and losses of financial instruments

The following table shows the net gains and losses arising for each of the categories of financial instruments defined by IAS 39:

in euro thousand	2011	2010
Held for trading	(22,455)	42,035
Ineffective portion of cash flow hedges	531	(518)
Ineffective portion of fair value hedges	(6,563)	58,510
Net balance of other financial measurement of financial instruments	**(28,487)**	**100,027**

Gains/losses from the use of derivatives relate primarily to fair value gains or losses arising on derivatives not being party to a hedge relationship but residual portfolio risk.

The following table shows gains and losses on hedging instruments and hedged items which are deemed to be part of fair value hedge relationship:

in euro thousand	2011	2010
Revaluation on hedging instruments	168,308	103,569
Profit/loss from hedged items	(174,871)	(45,059)
Ineffective portion of fair value hedges	**(6,563)**	**58,510**

The difference between the gains/losses on hedging instruments and the result recognised on hedged items represents the ineffective portion of fair value hedges and cash flow hedges. Fair value hedges are mainly used to hedge interest rate risk, fair value risk, and foreign currency risk on bonds and other financial liabilities.

IAS 39, Financial Instruments Recognition and Measurement, requires that all derivative instruments are 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, when contrary to the normal case within the Company, hedge accounting cannot be applied; the gains and losses from the fair value 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.

Cash flow hedges

The effect of cash flow hedges on equity was as follows:

in euro thousand	2011	2010
Balance at 1 January	335	1,111
Total changes during the year	(1,791)	(661)
Balance at 31 December	**(1,456)**	**450**
Deferred tax on cash flow hedge derivatives	450	(115)
Net unrealised fair value of cash flow hedge derivatives recognised in equity	**(1,006)**	**335**

The hedge relationship between the euro 1.5 billion EMTN maturing in September 2014 and the hedge instruments did not pass the hedge effectiveness test and the relationship was de-designated as at 28 February 2011. The basis adjustment is amortised over the remaining term of the EMTN. The hedge relation is expected (based on new hedge accounting method) to be economic effective and therefore the Company re-designated the fair value hedge as of 1 April 2011. The fair value change of the related derivatives in the period that no hedge accounting was applied resulted in euro 14.6 million loss.

The euro 750 million EMTN maturing in September 2013 was designated for hedge-accounting as at 1 May 2011. The hedge relationship between this item and the hedge instruments did not pass the effectiveness test in December 2011. The relationship was de-designated as at 1 December 2011. The basis adjustment is amortised over the remaining term of the EMTN. The fair value change of the related derivatives resulted in a EUR 0.3 million loss.

During the period under report, no expense was recognised in the income statement to reflect the ineffective portion of cash flow hedges. Any fair value effects within equity are expected to be offset by future cash flows. At 31 December 2011, the company held derivative instruments with terms of up to 23 months (2010: 35 months) to hedge currency risk and interest rate risk attached to future cash flows of bonds and other financial liabilities.

[31] Risk management

The exposure of the Company can be broken down into two main categories: financial and non-financial risks.

Financial Risks

The formal procedures and policies operated by the Company to cover banking, foreign exchange and other treasury matters are consistent with objectives and policies for financial risk management within the BMW Group. The Company's policy is not to take positions in derivative financial instruments with the aim of profit realisation.

The Company has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

Credit Risk

Credit risk result from the risk of default of internal or external counterparties. Given the activities of the company, the credit risk is mainly related to the Treasury and the intergroup financing activities.

The amount recognised in the balance sheet of the Company 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, the Company is also exposed to credit risk, which results from the non-performance of contractual agreement on the part of the counterparty. This credit risk, for Treasury activities is mitigated by entering into such contracts only with parties of first-class credit standing. Furthermore, the Company participates in a BMW Group wide limit system that continually assesses and limits the credit exposure to any single external counterparty.

All receivables from BMW Group companies are guaranteed by BMW AG when the aggregated losses on these receivables exceed euro 2 million. As a result, impairment of intergroup receivables is substantially mitigated. The guarantee fee incurred by the Company is recognised in interest expense.

The BMW Group policy is to provide financial guarantees only to wholly-owned subsidiaries.

The maximum exposure to credit risk at reporting date was:

in euro thousand	31.12.2011	31.12.2010
Loans and Receivables		
Receivables from BMW Group companies	26,010,581	22,282,786
Interest receivables and other receivables	371,942	347,532
Marketable securities	58,000	58,000
Receivables from sales financing	515	1,039
Cash and Cash equivalents	83,044	280,383
Derivative assets	764,028	569,551
Accrued interest on derivatives	(360,928)	(336,045)
Gross exposure	**26,927,182**	**23,203,246**
Guaranteed by BMW AG	24,271,428	22,252,524
ISDA Agreement (net exposure on derivative positions)	520,484	258,179
Residual maximum exposure	**2,135,270**	**692,542**

The residual maximum exposure is primarily related to derivative assets and short term deposits with first-class counterparties.

The Company has made provisions for uncollectability in the financial lease receivables as disclosed in note 14. Within the financial services business, the financed items (e.g. vehicles and motorcycles) serve as first-ranking collateral with a recoverable value.

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, the Company uses uncommitted credit lines with banks and bank loans to cover liquidity needs. The diversification of debt instruments for debt financing reflects the successful financial strategy of the BMW Group. BMW AG unconditionally and irrevocably guarantees all debt securities issued under the EMTN Programmes.

The following table shows the maturity structure of the financial liabilities:

31 December 2011 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	4,925,823	9,607,691	3,762,114	**18,295,628**
Loans due to banks	76,844	3,132,354	249,149	**3,458,346**
Commercial paper	3,526,894	–	–	**3,526,894**
Derivative instruments	78,989	159,774	4,780	**243,543**
Other financial liabilities	550,213	1,500	–	**551,713**
Total	**9,158,763**	**12,901,319**	**4,016,043**	**26,076,125**

31 December 2010 in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
Bonds	3,254,598	9,794,433	2,250,000	**15,299,031**
Loans due to banks	408,588	2,302,337	619,123	**3,330,048**
Commercial paper	3,008,700	–	–	**3,008,700**
Derivative instruments	53,843	174,486	29,850	**258,179**
Other financial liabilities	561,491	1,483	–	**562,974**
Total	**7,287,220**	**12,272,739**	**2,898,973**	**22,458,932**

The maturity analysis comprises undiscounted cash flows without interest payables, except the derivatives instruments are accounted at discounted cash flows. Changes in maturity structure result from exploiting funding opportunities in a tense market.

The increase in the credit spreads has negatively affected the cost of capital and, therefore, the operating result of the Company. Further changes 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 the Company participates, credit standards for loans to enterprises turning for the worse and impacting also the lending conditions for the BMW Group negatively and a decreasing willingness of banks to provide credit lines and loans.

Market risk

The Company is exposed to market risk, which comprises interest rate risk and currency risk.

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. The Company 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 the Company. In order to mitigate the impact of interest rate risk the Company aims in general to change fixed to floating interest rates. Furthermore, the Company continually assesses its exposure to this risk by using gap analysis, value at risk analysis, and duration analysis. Interest rate risk is managed through natural hedges and hedged through the use of derivative financial instruments, such as interest rate swaps. To manage the maturity gaps appropriate interest rate derivatives are used.

The fair values of the Company's derivative financial instruments portfolio to manage the interest rate risk of its fixed income financial instruments was as follows at the balance sheet date:

in euro thousand	Notional amount 31.12.2011	Fair value 31.12.2011	Notional amount 31.12.2010	Fair value 31.12.2010
EUR	17,809,318	527,906	16,448,500	395,162

The Company applies a value at risk-approach for internal reporting purposes and to control the frequency, extent, and size of possible losses in such a way as to provide the minimum surprise. The approach to value at risk is based on a historical simulation, in which the potential future fair value losses of the interest rate portfolios are compared across the BMW Group with probable amounts measured on the basis of a holding period of three months and a confidence level of 99%. Due to the aggregation of these results, a risk reduction effect due to correlations between the various portfolios is accomplished.

The entity implemented the Financial Strategy of the BMW Group. The objective of interest rate risk neutrality is accomplished when interest rate gaps are managed in manner that the economic value of the portfolio of financial instruments is immunised to a considerable degree against changes in interest rates. The Company monitors its interest rate risk exposure continuously and prepares a monthly report submitted to the Group Treasury with recommendations to keep or reposition its portfolio by applying financial derivatives. Together the Company and Group Treasury determine the due course on the basis of the report delivered by the Company. A primary risk measure when judging the interest rate exposure of the entity is the present value of a basis point of the portfolio. This concept indicates how much the portfolio's economic value, representing the sum of discounted cash flows of the financial instruments, will move for each basis point change in nterest rates, assuming the change of interest rates will be a parallel shift. Looking at this primary risk measure, the interest rate risk exposure on 31 December 2011 was euro 1,081,953 negative (2010: euro 173 positive).

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 the Company. In order to mitigate the impact of currency risk arising from operational, financial and investment activities, the Company 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 unhedged foreign currency debt positions. These positions are causing the exchange rate result displayed in the profit and loss account as explained in Note 6.

in euro thousand	Non derivative financial assets	Non derivative financial liabilities	Derivative financial instruments	Net exposure
AUD	–	(550,000)	550,000	–
CAD	–	(125,000)	125,000	–
CHF	–	(300,210)	300,210	–
DKK	2,041,000	–	(2,043,970)	(2,970)
GBP	2,211,100	(300,000)	(1,923,056)	(11,956)
HKD	–	(1,136,000)	1,136,000	–
JPY	–	(47,600,000)	47,600,000	–
NOK	2,900,000	(4,100,000)	1,197,264	(2,736)
NZD	–	(100,000)	100,000	–
RON	–	(43,500)	43,500	–
RUB	20,300,000	–	(20,690,074)	(390,074)
SEK	3,690,000	(4,240,000)	528,291	(21,709)
USD	95,000	(520,050)	425,000	(50)
ZAR	3,444,300	–	(3,444,300)	–

The sensitivity of the Company's results to changes in foreign currencies against the functional currency shows:

Currency	Net exposure in thousand euro equivalent	Effects on result of a 10% rise in the euro against the respective currency
DKK	(400)	36
GBP	(14,319)	1,302
NOK	(352)	32
RUB	(9,357)	851
SEK	(2,437)	222
USD	(39)	4
Total	**(26,904)**	**2,447**

This sensitivity analysis assumes that all other variables, in particular interest rates remain the same.

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. The Company uses computer systems to monitor financial positions and daily cash flows and to process payments to internal and external counterparties. System 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 the Company 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. To avoid negative impacts of system failures, all key systems are set up in parallel and/or backup facilities or available within the BMW Group.

[32] Capital management

In accordance with BMW Group's target debt structure, the Company maintains a solid target debt policy. Furthermore the Company has no prescribed dividend policy.

[33] 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. Movements related to debt securities, loans due to banks and liabilities to BMW Group companies are considered to be operating activities. 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	2011	2010
Interest received	1,070,443	904,586
Interest paid	1,144,057	978,448

[34] **Related parties**

A comprehensive exchange of internal services in between the affiliates of a multinational corporation as the BMW Group is common practice. In its responsibility to assist the financing of business activities conducted by companies of the BMW Group and its affiliates, BMW Finance N.V. applies transfer prices for financial instruments in conformity with market levels and in accordance with national and international tax requirements (arm's length principle, principle of economic allegiance, separate entity approach, Art 9 OECD-MA Rz 126).

In principle, the transfer prices for financial instruments are determined on the basis of three components: The price for BMW Credit Default Swaps, the three months Commercial Paper Spread, and a transfer pricing margin.

The price for BMW Credit Default Swaps is applied for maturities >12 months, taken from Bloomberg. For uneven maturities the method of linear interpolation is used to calculate the appropriate credit risk with regard to market prices. For maturities between Overnight and up to six months, the three months Commercial Paper Spread according to Tradeweb ECP Index, Industrials, Rating A2/P2 is applied. For maturities between six months and 12 months, again the method if linear interpolation between the three months Commercial Paper Spread and the twelve months BMW Credit Default Swap is applied. To enhance efficiency and ensure consistency throughout the BMW Group, a transfer pricing sheet is provided monthly by the Mid Office, which is daily filled with actual data to calculate the credit and term spread for every transaction. Finally, a transfer pricing margin is applied to account for the running costs of BMW Finance N.V.

The interest rate result was positively affected by a liquidity fee of BMW AG of euro 56.6 million for maintaining a liquidity buffer for group strategic purposes. This fee is calculated over the surplus liquidity at BMW Finance N.V.

Due to restructuring within the BMW Group, one of the Company's subsidiaries, BMW Overseas Enterprises N.V., has been transferred to another BMW group company, BMW International Investment B.V. This transfer has been taken place by means of a dividend distribution of euro 58.4 million from the Company to its mother, BMW Holding B.V., who in turn transferred it further to BMW International Investment B.V. The transaction was performed under common control and did not result in a loss or a gain. In addition, the company also disposed of its subsidiary BMW Portugal Lda. including its subsidiary BMW Renting Portugal Lda. and transferred it by means of a contribution in kind to its subsidiary BMW España Finance S.L.

In 2010 the company has purchased all Class B notes amounting to euro 58 million of the euro 800 million Asset Backed Security issued by Bavarian Sky S.A., which is a Luxembourg limited liability company (Société Anonyme) incorporated on April 26, 2007. Bavarian Sky is recognised as a Special Purpose Entity in accordance with SIC 12 in the consolidated accounts of BMW AG. The portfolio consists of German car lease receivables of BMW Leasing GmbH (100% of BMW AG) excluding residual value and its development is monitored monthly on the basis of the asset value report received from Bavarian Sky S.A.

Due to internal restructuring, one of the Company's subsidiaries, BMW Overseas Enterprises N.V., has been transferred to another BMW group company, BMW International Investment B.V. This transfer has been taken place by means of a dividend distribution of euro 58.4 million from the Company to its parent, BMW Holding B.V., who in turn transferred it further to BMW International Investment B.V. The transaction did not result in a loss or a gain (see note 41).

In addition, the Company also transferred its subsidiary BMW Portugal Lda. including its subsidiary BMW Renting (Portugal) Lda. by means of a contribution in kind to its subsidiary BMW España Finance S.L. The Portuguese entity was booked and transferred at historical cost of euro 19.3 million and did not result in a loss or a gain (see note 41).

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.

BMW Finance N.V.
Statement of comprehensive income

in euro thousand	Notes	2011	2010
Interest income BMW Group companies		609,250	567,460
Interest income Third parties		495,405	381,020
Interest income	[36]	**1,104,655**	**948,480**
Interest expense BMW Group companies		(18,486)	(10,080)
Interest expense Third parties		(1,133,767)	(984,735)
Interest expense	[36]	**(1,152,253)**	**(994,815)**
Interest margin		**(47,598)**	**(46,335)**
Other financial income and expenses	[37]	(397)	(99)
Result from financial transactions	[38]	(30,890)	100,651
Financial result		**(78,885)**	**54,217**
Miscellaneous income & expenses	[39]	(1,364)	(1,095)
Income before taxation		**(80,249)**	**53,122**
Taxes	[40]	18,382	(11,980)
Net income		**(61,867)**	**41,142**

Statement of Comprehensive income

in euro thousand	2011	2010
Net income	**(61,867)**	**41,142**
Effective portion of changes in fair value of cash flow hedges	(1,791)	(661)
Deferred tax on other comprehensive income	450	169
Other comprehensive income for the period after tax	**(1,341)**	**(492)**
Total comprehensive income for the period	**(63,208)**	**40,650**

BMW Finance N.V.
Statement of financial position
As at 31 December (Before appropriation of result)

Assets in euro thousand	Notes	31.12.2011	31.12.2010
Investments in subsidiaries	[41]	47,646	106,070
Receivables from BMW Group companies	[42]	9,532,245	6,510,607
Marketable securities	[15]	58,000	58,000
Derivative assets	[43]	654,901	499,780
Deferred tax	[44]	335	–
Non-current assets		**10,293,127**	**7,174,457**
Receivables from BMW Group companies	[42]	16,398,204	15,657,806
Derivative assets	[43]	110,406	72,417
Interest receivables and other receivables	[45]	360,928	336,727
Cash and cash equivalents	[46]	74,449	232,392
Current assets		**16,943,987**	**16,299,342**
Total assets		**27,237,114**	**23,473,799**

Equity and liabilities in euro thousand	Notes	2011	2010
Issued capital	[20]	1,750	1,750
Share premium reserve	[21]	55,488	55,488
Hedging reserves	[22]	(1,006)	335
Retained earnings		98,807	116,089
Undistributed income		(61,867)	41,142
Equity	[40]	**93,172**	**214,804**
Debt securities	[24]	13,369,805	12,502,411
Loans due to banks	[25]	3,381,503	2,934,481
Derivative liabilities	[43]	164,554	204,336
Deferred tax	[44]	–	115
Non-current liabilities		**16,915,862**	**15,641,343**
Debt securities	[24]	8,452,717	6,276,343
Loans due to banks	[25]	70,003	423,186
Liabilities due to BMW Group companies	[48]	1,099,364	325,530
Derivative liabilities	[43]	80,322	54,109
Interest payables and other liabilities	[49]	525,674	538,484
Current liabilities		**10,228,080**	**7,617,652**
Total equity and liabilities		**27,237,114**	**23,473,799**

BMW Finance N.V.
Statement of cash flows

in euro thousand	2011	2010
Net income for the year	(61,867)	41,142
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	(1,341)	(492)
Fair value measurement losses/(gains)	30,890	(23,362)
Taxes	(450)	(741)
Amortisation financial instruments	8,836	5,403
Changes in operating assets and liabilities		
Receivables from BMW Group companies	(3,762,036)	(1,333,389)
Receivables and other assets	(24,201)	(71,057)
Derivatives	(58,598)	(147,949)
Debt securities	2,855,961	419,332
Loans due to banks	93,839	1,407,667
Liabilities to BMW Group companies	755,452	(115,219)
Other liabilities	(12,809)	18,932
Income tax (paid)/received	18,382	(12,552)
Cash flow from operating activities	**(157,942)**	**187,715**
Marketable securities	–	(58,000)
Cash flow from investing activities	**–**	**(58,000)**
Cash flow from financing activities	**–**	–
Net increase/decrease in cash and cash equivalents	(157,942)	129,715
Cash and cash equivalents at January 1	232,392	102,677
Cash and cash equivalents at December 31	**74,450**	**232,392**

BMW Finance N.V.
Statement of changes in equity

in euro thousand	Issued capital	Share premium reserve	Hedging reserve	Retained earnings	Undis-tributed income	Total
1 January 2010	**1,750**	**36,226**	**827**	**113,719**	**2,370**	**154,892**
Total result 2010 recognised in the profit and loss account	–	–	–	–	41,142	41,142
Total result 2010 recognised directly in equity	–	–	(492)	–	–	(492)
Total comprehensive income in the period	**–**	**–**	**(492)**	**–**	**41,142**	**40,650**
Appropriation of results 2009	–	–	–	2,370	(2,370)	–
Transactions with owners recorded directly in equity						
Changes due to contribution in kind BMW Portugal Lda. and BMW Renting (Portugal) Lda.	–	19,262	–	–	–	19,262
31 December 2010	**1,750**	**55,488**	**335**	**116,089**	**41,142**	**214,804**
Total result 2011 recognised in the profit and loss account	–	–	–	–	(61,867)	(61,867)
Total result 2011 recognised directly in equity	–	–	(1,341)	–	–	(1,341)
Total comprehensive income in the period			**(1,341)**		**(61,867)**	**(63,208)**
Appropriation of results 2010	–		–	41,142	(41,142)	–
Transactions with owners recorded directly in equity						
Dividend to BMW Holding B.V.	–		–	(58,424)	–	(58,424)
31 December 2011	**1,750**	**55,488**	**(1,006)**	**98,807**	**(61,867)**	**93,172**

Due to internal restructuring BMW Overseas Enterprises N.V. has been transferred by means of a dividend distribution of euro 58.4 million from the Company to its parent, BMW Holding B.V. The amount is the historic cost of BMW Overseas Enterprises N.V.

[35] Accounting principles and policies

The accounting principles of BMW Finance N.V. Company's financial statements correspond with the accounting principles used in the consolidated financial statements of BMW Finance N.V. (i.e. International Financial Reporting Standards (IFRS) as endorsed by the European Union and issued by the International Accounting Standards Board (IASB) and Part 9 of Book 2 of the Netherlands Civil Code) with the exception of investments in subsidiaries.

Investments in subsidiaries

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.

Dividends from investments in subsidiaries are recorded when declared by the investment's Annual General Meeting of Shareholders.

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 12.

[36] Interest income and expense

Total interest income and expense for financial assets and liabilities comprise the following:

in euro thousand	2011	2010
Interest income on financial assets at amortised cost	833,441	551,658
Interest income on financial assets at fair value	271,214	396,822
Interest Income	**1,104,655**	**948,480**
Interest expense on financial liabilities at amortised cost	(510,790)	(339,288)
Interest expense on financial liabilities at fair value	(641,463)	(655,527)
Interest Expense	**(1,152,253)**	**(994,815)**
Interest margin	**(47,598)**	**(46,335)**

Asset and liabilities at fair value stem from financial derivative instruments. Non derivative financial instruments have not been measured at fair value unless included in a hedging relationship.

The interest rate result was positively affected by a liquidity fee of BMW AG of euro 56.6 million for maintaining a liquidity buffer for group strategic purposes. This fee is calculated over the surplus liquidity at BMW Finance N.V. In this case the average costs of funds are compared with the proceeds of the surplus liquidity.

[37] Other financial income and expenses

The item comprises a loss of euro 0.4 million (2010: loss euro 0.1 million) due to exchange rate differences related mainly to unhedged liabilities. All other positions in foreign currencies are fully hedged through natural hedges or hedged with the use of derivatives.

[38] Result from financial transactions

in euro thousand	2011	2010
Ineffective portion of instruments included in a hedge relationship	(6,032)	57,992
Revaluation of derivatives not included in a hedge relationship	(24,858)	42,659
Total	**(30,890)**	**100,651**

The revaluation of derivatives not included in a hedge relationship is mainly related to interest rates swaps to hedge the portfolio (see note 43).

[39] Miscellaneous income & expenses

in euro thousand	2011	2010
Salaries & social security charges	(823)	(692)
Pension premiums	(55)	(28)
Advisory	(448)	(216)
Other miscellaneous income & expenses	(38)	(159)
Total	**(1,364)**	**(1,095)**

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated entities.

Fee charged by auditors

in euro thousand	2011	2010
Statutory audit of annual accounts	376	131
Tax advisory services	62	85
Other non-audit services	10	–
Total	**448**	**216**

[40] Taxes

Income taxes comprise the following:

in euro thousand	2011	2010
Current tax income/(expense)	18,382	(11,980)
Deferred tax income/(expense)		–
Total tax income/(expense) in income statement	**18,382**	**(11,980)**

Reconciliation of the effective tax expense:

in euro thousand		2011		2010
Income before tax		(80,249)		53,122
Income tax using the domestic corporate tax rate	25%	20,062	25.5%	(13,545)
Tax charges relating to other periods		(1,680)		–
Settlement with Dutch Tax Authority		–		1,565
Total tax income/(expense) in income statement		**18,382**		**(11,980)**
Effective tax rate		**22.9%**		**22.6%**

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. See also note 9.

[41] Investments in subsidiaries

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

In euro thousand	Country		31.12.2011	31.12.2010
BMW Overseas Enterprises N.V.	The Netherlands	0%	–	58,424
BMW España Finance S.L.	Spain	100%	47,646	28,384
BMW Portugal Lda.	Portugal	0%	–	19,262
Total			**47,646**	**106,070**

Change in investments:

in euro thousand	2011	2010
Balance at beginning of the year	106,070	86,808
Transfer of subsidiaries	(58,424)	–
Acquisitions	–	19,262
Total tax income/(expense) in income statement	**47,646**	**106,070**

Due to restructuring within the BMW Group, one of the Company's subsidiaries, BMW Overseas Enterprises N.V., has been transferred to another BMW group company, BMW International Investment B.V. This transfer has been taken place by means of a dividend distribution of euro 58.4 million from the Company to its mother, BMW Holding B.V., who in turn transferred it further to BMW International Investment B.V. The transaction was performed under common control and did not result in a loss or a gain.

In addition, the company also transferred its subsidiary BMW Portugal Lda. including its subsidiary BMW Renting Portugal Lda. and transferred it by means of a contribution in kind to its subsidiary BMW España Finance S.L.

The subsidiary BMW Portugal Lda. was contributed in kind to subsidiary BMW España Finance S.L. The Portuguese entity was booked and transferred at historical cost of euro 19.3 million and did not result in a loss or a gain.

The Company's interest in the net asset value of the BMW Group companies amounts to approximately euro 352.8 million as at 31 December 2011, which exceeds the above-mentioned book value by approximately euro 305.2 million (2010: euro 200.5 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.

[42] Receivables from BMW Group companies

in euro thousand	31.12.2011	31.12.2010
Non-current from BMW Group companies	9,532,245	6,510,607
Current receivables from BMW Group companies	16,398,204	15,657,806
Total receivables from BMW Group companies	**25,930,449**	**22,168,413**

The weighted average maturity period and the weighted average effective interest rate for the receivables from BMW Group companies during the financial year 2011 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	707,466	2.08	2.24
Receivables from affiliated companies	24,565,426	1.28	2.06
Cash pool from BMW group companies	481,911	daily	EONIA + spread
Trade receivables from BMW group companies	175,646	30 days	none
Total	**25,930,449**		

For the non-current receivables these figures were during the financial year 2010 as follows:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Receivables from parent (BMW Holding B.V.)	1,079,335	2.30	1.82
Receivables from affiliated companies	20,554,122	1.18	2.14
Cash pool from BMW group companies	527,922	daily	EONIA + spread
Trade receivables from BMW group companies	7,034	30 days	none
Total	**22,168,413**		

The following table shows the maturity structure of the receivables from BMW Group companies:

in euro thousand	Maturity within one year	Maturity between one and five years	Maturity later than five years	Total
31.12.2011	16,398,204	8,890,784	641,461	**25,930,449**
31.12.2010	15,657,806	5,950,719	559,888	**22,168,413**

[43] Financial Instruments

The carrying amounts and fair values of financial instruments are analysed below by IAS 39 category. The derivatives that are part of a hedge relationship are recorded in the respective hedge accounting category:

31 December 2011 in euro thousand	Loans and receivables	Other financial Liabilities	Held for trading	Cash flow hedges	Fair value hedges	Total
Assets						
Investments in subsidiaries			47,646			**47,646**
Derivative instruments			109,841		655,466	**765,307**
Marketable securities	58,000					**58,000**
Other Receivables	360,928					**360,928**
Cash and Cash equivalents	74,449					**74,449**
Receivables from BMW group companies	25,930,449					**25,930,449**
Total financial assets	**26,423,826**		**157,487**		**655,466**	**27,236,779**
Liabilities						
Debt securities		9,131,015		95,774	12,595,733	**21,822,522**
Loans due to banks		3,451,506				**3,451,506**
Derivative instruments			153,994	25,168	65,714	**244,876**
Other liabilities		525,674				**525,674**
Liabilities due to group companies		1,099,364				**1,099,364**
Total of financial liabilities		**14,207,559**	**153,994**	**120,942**	**12,661,447**	**27,143,942**

31 December 2010 in euro thousand	Loans and receivables	Other financial Liabilities	Held for trading	Cash flow hedges	Fair value hedges	Total
Assets						
Investments in subsidiaries			106,070			**106,070**
Derivative instruments			61,436	22,238	488,523	**572,197**
Marketable securities	58,000					**58,000**
Other Receivables	336,727					**336,727**
Cash and Cash equivalents	232,392					**232,392**
Receivables from BMW group companies	22,168,413					**22,168,413**
Total financial assets	**22,795,532**		**167,506**	**22,238**	**488,523**	**23,473,799**
Liabilities						
Debt securities		7,573,637		112,260	11,092,857	**18,778,754**
Loans due to banks		3,357,667				**3,357,667**
Derivative instruments			98,035	54,831	105,579	**258,445**
Other liabilities		538,483				**538,483**
Liabilities due to group companies		325,530				**325,530**
Total of financial liabilities		**11,795,317**	**98,035**	**167,091**	**11,198,436**	**23,258,879**

[44] **Deferred taxes**

Deferred tax assets and liabilities at 31 December are attributable to the following temporary differences:

in euro thousand	31.12.2011	31.12.2010
Derivatives	335	(115)
Total	**335**	**(115)**

Deferred taxes for derivatives relate to the revaluation of derivative financial instruments included in a cash flow hedge relationship. The cash flow hedge derivatives (including deferred taxes) recognised directly against equity amount to euro 1.0 million (2010: euro 0.3 million).

The changes during the financial year in the deferred tax assets/liabilities were as follows:

in euro thousand	
Balance at beginning of the year	**(115)**
Change as a result of temporary differences in the financial year	
recognised directly in equity	450
Balance at end of the year	**335**

[45] Interest receivables and other receivables

in euro thousand	31.12.2011	31.12.2010
Trade receivables from third parties	–	682
Interest receivables from third parties	360,928	336,045
Total	**360,928**	**336,727**

[46] Cash and cash equivalents

Cash and cash equivalents include the items as stated below, all with maturity less than three months and are freely disposable to the Company.

in euro thousand	31.12.2011	31.12.2010
Bank balances	5,049	28,492
Call deposits	69,400	203,900
Total	**74,449**	**232,392**

[47] Reconciliation between Statutory equity and consolidated equity

in euro thousand	31.12.2011	31.12.2010
Statutory equity	93,172	214,804
Accumulated results up to 2010 of consolidated companies	184,865	167,117
2011 result of consolidated companies	(7,477)	4,135
Deconsolidation BMW Overseas Enterprises N.V.	(628)	–
Minority interest	61	72
Other	–	20,822
Consolidated equity	**269,994**	**406,950**

The difference between the cost value of the Company's investments and the net equity value are accounted for in the retained earnings reserve and undistributed income for the result over financial year 2011.

The category other relates to minority interest BMW Group AG that holds 0.2% of BMW Portugal Lda. and 0.2% of BMW Renting (Portugal) Lda. BMW España Finance SL. has the remaining 99.8% of the total shares of these entities.

[48] 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
31.12.2011	1,099,364	–	–	**1,099,364**
31.12.2010	325,530	–	–	**325,530**

The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies in 2011 are:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	1,680	30 days	none
Liability due to affiliated companies	171,972	0.33	1.05
Liability due to subsidiaries	32,129	0.04	1.02
Cash pool due to group companies	889,835	daily	EONIA + spread
Trade payables due to BMW group companies	3,748	30 days	none
Total	**1,099,364**		

The weighted average maturity period and the weighted average effective interest rate for the liability due to BMW group companies are in 2010:

in euro thousand	Outstanding	Weighted average maturity period (in years)	Weighted average effective interest rates (in %)
Liability due to Parent (BMW Holding B.V.)	14,117	30 days	none
Liability due to affiliated companies	93,241	0.12	0.95
Liability due to subsidiaries	90	30 days	none
Cash pool due to group companies	211,895	daily	EONIA + spread
Trade payables due to BMW group companies	6,187	30 days	none
Total	**325,530**		

[49] Interest payables and other liabilities

in euro thousand	31.12.2011	31.12.2010
Interest payables to third parties	525,453	538,365
Other liabilities	221	119
Total	**525,674**	**538,484**

The Hague, 25 April 2012

N. Mayer
Director

J.-C. Koenders
Director

R. van der Meeren
Managing Director

BMW Finance N.V.
Other information

Auditor's opinion
The independent auditor's report is added to page 57.

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 result for the year 2010 amounting to euro 41,142 thousand has been endorsed by the General meeting of Shareholders dated May 20, 2011.

The Board of Directors proposes the deduction of the net loss for the year 2011 amounting to euro 61,867 thousand from the retained earnings.

Independent auditor's report
To: The Shareholders of BMW Finance N.V.

Report on the financial statements
We have audited the accompanying financial statements 2011 of BMW Finance N.V., The Hague, which comprise the consolidated and company statement of financial position as at 31 December 2011, the consolidated and company statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

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 management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 2011 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 requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b–h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 25 April 2012

KPMG ACCOUNTANTS N.V.

A.A. Kuijpers RA