INTERIM REPORT TO JUNE 30, 2011

BMW FINANCE N.V.

BMW GROUP

Rolls-Royce Motor Cars Limited

Contents

Dear Ladies and Gentlemen,

The directors present their interim management report and interim financial statements for the half year ended June 30, 2011. This half-yearly financial information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as adopted by the EU and has been subject to review by the auditor.

This interim report may contain forward-looking statements based on current expectations of the management. Various known and unknown risks, uncertainties and other factors could lead to considerable differences between the actual future results, financial situation development and/or performance of BMW Finance N.V. (the Company) and the historical results presented. Undue reliance should not be placed on forward-looking statements which speak only as of the date of this interim report.

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 is in 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. In the first half year of 2011, relationships between the Company and other locations of the Treasury Centre Europe have been further intensified to seize the opportunity of synergy and to reduce the operational risk.

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. Since a number of these financial instruments do not qualify for fair value hedge accounting under International Financial Reporting Standards, the company is exposed to the volatility of changes in the fair values of such instruments in its income statement whereas the underlying items are shown at amortized cost. The management of the company believes that the instruments entered into nevertheless constitute an economic hedge of the company's risks.

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.

In December 2010 BMW Holding B.V. contributed in kind its share holding (99.8% of total shares) in BMW Portugal Lda. to the Company for euro 19.3 million, being the historical cost price. In the second quarter of 2011, the Company finalized the planned transaction and has contributed its shareholding in BMW Portugal Lda. in kind to BMW España Finance S.L., a wholly owned subsidiary of BMW Finance N.V.

The Company has purchased all Class B notes amounting to euro 58 million of the euro 800 million Asset Backed Security (ABS) issued by Bavarian Sky S.A. on 21 June 2010. In addition, the Company provided a subordinated loan of euro 34 million to fund the cash reserve of Bavarian Sky S.A. It was the fourth ABS transaction of the BMW Leasing GmbH since 2007. However, BMW Leasing GmbH will be merged into BMW Bank GmbH in August 2011, with BMW Bank GmbH being the surviving entity. As a consequence, BMW Leasing GmbH will be, by operation of law, automatically assumed by BMW Bank GmbH. Like BMW Leasing GmbH, BMW Bank GmbH is a 100% directly owned subsidiary of BMW AG. The change in legal structure will make it necessary to amend the transaction documents between Bavarian Sky S.A. and the Company.

In the first half year of 2011, the Company's Balance Sheet Total has decreased to euro 22.5 billion compared to prior year-end euro 23.3 billion. The Company issued 17 new EMTNs (euro 2.4 billion) and applied fair value hedge-accounting for 10 new EMTNs. It redeemed 12 EMTNs (euro 2.7 billion).

One fair value hedge relation did not pass the hedge effectiveness test measured according to the dollar offset method due to small number problem and the relationship was terminated as at 28 February 2011. The basis adjustment is amortized over the remaining term of the EMTN. The Company re-designated the fair value hedge as of 1 April 2011 measured according to the regression method. The fair value change of the related derivatives in the period that no hedge accounting was applied resulted in a euro 14.6 million loss that was not offset by the revaluation of the hedged items. In addition, the ineffective portion of the fair value hedge relationships resulted in a fair value loss of euro 19.6 million. On the other hand, stand-alone derivatives used for portfolio hedging resulted in a fair value profit of euro 23.2 million. In the first half year of 2011 the company entered into 4 new payer-swaps with a notional of euro 600 million to reduce interest rate risks in the two year bucket. A fair value loss of euro 32.8 million was the result of stand-alone derivatives used to hedge external debt for which no hedge accounting could be applied.

The current economic and capital market environment continues to show a sustained level of high uncertainty about the development of interest rates and exchange rates in the light of the risks related to inflation and growth in the euro zone. The European economic environment in the first half of 2011 was challenging, indeed. Despite robust economic growth, there will most likely be considerable disparity between economic performance in northern European countries – particularly Germany and the Netherlands – and the southern countries, where growth continues to be weighed down by fiscal austerity. Inflation surprises have been consistently on the high side. While much of the pickup in consumer price inflation has been driven by higher commodity prices, the rise has been broad-based and significant. In this environment, the ECB took a somewhat proactive approach with two 25bps rate hikes in the first half of 2011. The further course of the monetary policy strategy will have to consider 'idiosyncratic' risk factors related to the vulnerabilities of Euro zone countries mainly related to declining productivity, low growth, loss of international competitiveness, and high public debt-to-GDP ratios. In addition, it has also to consider 'common' risk factors that are related to the ability of EU policy makers to mitigate contagion from the Greek solvency crisis.

In this challenging economic environment, the current trend in interest income is expected to be unchanged. Furthermore, volatility in the fair market values of derivative instruments will continue to impact 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 declining underlying operational performance in the financial year 2011.

The Hague, 13 August 2011

N. Mayer	**J.-C. Koenders**	**Dr. J. Hensel**
Director	**Director**	**Managing Director**

BMW Finance N.V.
Consolidated statement of comprehensive income

in euro thousand	Notes	1 January to 30 June 2011	1 January to 30 June 2010
Interest income BMW Group companies		248,851	265,643
Interest income Third parties		335,075	180,997
Interest income	[1]	**583,926**	**446,640**
Interest expense BMW Group companies		(4,340)	(3,071)
Interest expense Third parties		(625,855)	(483,252)
Interest expense	[1]	**(630,195)**	**(486,323)**
Interest margin		**(46,269)**	**(39,683)**
Other financial income and expenses		759	(761)
Result from financial transactions		(29,377)	33,106
Financial income / (loss)	[1]	**(74,887)**	**(7,338)**
Miscellaneous income & expenses	[1]	(1,557)	(1,257)
Income before taxation		**(76,444)**	**(8,595)**
Taxes		19,176	5,737
Net income / (loss)		**(57,268)**	**(2,858)**
Attributable minority interest		–	–
Attributable to Shareholders of BMW Finance N.V.		(57,268)	(2,858)
Earnings per share of common stock in euro		(16,362)	(817)

Statement of Comprehensive income

in euro thousand	1 January to 30 June 2011	1 January to 30 June 2010
Net income	(57,268)	(2,858)
Effective portion of changes in fair value of cash flow hedges	(1,903)	620
Deferred tax on other comprehensive income	476	(158)
Other comprehensive income for the period after tax	**(1,427)**	**462**
Total comprehensive income for the period	**(58,695)**	**(2,396)**

BMW Finance N.V.
Consolidated statement of financial position

Assets in euro thousand	Notes	30.06.2011	31.12.2010
Property, plants and equipments	[1]	6	85,668
Equity investments	[1]	101,978	82,717
Receivables from BMW Group companies	[1]	7,009,538	6,510,607
Marketable securities	[1]	58,000	58,000
Deferred tax asset	[1]	204	1,915
Derivative assets	[1]	309,782	499,780
Non-current assets		**7,479,508**	**7,238,687**
Receivables from BMW Group companies	[1]	14,948,616	15,772,179
Receivables from sales financing	[1]	0	1,039
Inventories	[1]	0	33,494
Derivative assets	[1]	35,791	69,771
Interest receivables and other receivables	[1]	332,829	347,532
Income tax receivables		20,158	–
Cash and cash equivalents	[1]	66,415	280,383
Current assets		**15,403,809**	**16,504,398**
Total assets		**22,883,317**	**23,743,085**

Equity and liabilities in euro thousand	Notes	30.06.2011	31.12.2010
Issued capital	[1]	1,750	1,750
Share premium reserve	[1]	55,488	55,488
Hedging reserve	[1]	1,762	335
Retained earnings		328,483	304,028
Undistributed income		(57,268)	45,277
Minority interest		–	72
Equity		**330,215**	**406,950**
Debt securities	[3]	12,078,324	12,502,411
Loans due to banks	[1]	3,093,356	2,934,481
Liabilities due to BMW Group companies	[1]	–	33,500
Deferred tax liabilities	[1]	587	115
Derivative liabilities	[1]	154,621	204,336
Other liabilities		–	1,483
Non-current liabilities		**15,326,888**	**15,676,326**
Debt securities	[3]	5,305,741	6,276,343
Loans due to banks	[1]	456,898	431,774
Liabilities due to BMW Group companies	[1]	949,533	308,647
Income tax liabilities	[1]	0	27,711
Derivative liabilities	[1]	29,199	53,843
Interest payables and other liabilities	[1]	484,843	561,491
Current liabilities		**7,226,214**	**7,659,809**
Total equity and liabilities		**22,883,317**	**23,743,085**

BMW Finance N.V.
Consolidated statement of cash flows

in euro thousand	1 January to 30 June 2011	1 January to 30 June 2010
Net income for the year	(57,268)	(2,858)
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	–	(761)
Fair value measurement losses/(gains)	1,427	33,568
Taxes	(17,974)	(1,244)
Amortization financial instruments	10,741	–
Inventories	33,494	–
Transfer of subsidiaries	(19,261)	–
Other non cash items	85,590	–
Changes in operating assets and liabilities		
Property, plants and equipments	–	–
Receivables from BMW Group companies	324,632	(539,258)
Receivables and other assets	–	(77,488)
Derivatives	149,619	(412,344)
Debt securities	(1,405,430)	1,178,908
Loans due to banks	183,999	(250,000)
Liabilities to BMW Group companies	607,386	22,444
Other liabilities	(62,390)	(13,477)
Income tax paid	(27,711)	–
Cash flow from operating activities	**(193,146)**	**(62,510)**
Acquisition of subsidiaries	–	–
Capital injection in subsidiaries	–	–
Cash flow from investing activities	**–**	**–**
Cash flow from financing activities	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	(193,146)	(62,510)
Decrease in cash related to transfer of subsidiaries	(20,822)	–
Cash and cash equivalents at January 1	280,383	103,109
Cash and cash equivalents at December 31	**66,415**	**40,599**

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					(2,858)		(2,858)
Total result 2010 recognised in directly in equity			462				462
Total comprehensive income and expense in the period			462		(2,858)		(2,396)
Appropriation of results 2009				7,760	(7,760)		–
30 June 2010	**1,750**	**36,226**	**1,289**	**283,206**	**(2,858)**	**–**	**319,613**
1 January 2011	**1,750**	**55,488**	**335**	**304,028**	**45,277**	**72**	**406,950**
Total result 2011 recognised in the profit and loss account					(57,268)		(57,268)
Total result 2011 recognised directly in equity			1,427				1,427
Total comprehensive income and expense in the period	–	–	1,427	–	(57,268)	–	(55,841)
Appropriation of results 2010				45,277	(45,277)		–
Transactions with owners recorded directly in equity							
Contribution in kind of BMW Portugal Lda and BMW Renting (Portugal) Lda.				(20,822)		(72)	(20,894)
30 June 2011	**1,750**	**55,488**	**1,762**	**328,483**	**(57,268)**	**–**	**330,215**

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 7 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 Dutch law and are in compliance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and issued by the International Accounting Standards Boards (IASB) and valid at balance sheet date.

The 2011 Interim Report of BMW Finance N.V. is prepared and authorised for issue by the Board of Directors on 12th of August 2011 and will be submitted for approval to the Annual General Meeting of Shareholders on 12th of August 2011. The statements have not been audited.

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.

Functional and presentation currency

The financial year contains the period from 1 January to 30 June. 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 note.

Basis of preparation

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.

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 eurozone 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.

Please refer to annual reporting 2009 and to interim BMW Group reporting for additional information.

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

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.

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 2010.

[1] **Significant accounting policies**

Standard	Interpretation	Publication IASB	Effective Date	Endorsement EU	Prospective Implications for BMW Finance NV
IFRS 1	First-time Adoption of International Financial Reporting Standards: Amendment for fixed transition dates and severe hyperinflation	20.12.2010	1.1.2012	No	None
IFRS 7	Financial Instruments: Disclosures, Amendment on enhancing disclosures about transfers of financial assets	7.10.2010	1.1.2012	No	Insignificant
IFRS 9	Financial Instruments	12.11.2009 / 29.10.2010	1.1.2013	No	Of general importance: The classification and measurement of financial assets may change and new requirements on accounting for financial liabilities may become effective.
IFRS 10	Consolidated Financial Statements	12.5.2011	1.1.2013	No	Insignifcant
IFRS 11	Joint Arrangements	12.5.2011	1.1.2013	No	Insignificant
IFRS 12	Disclosure of Interest in Other Entities	12.5.2011	1.1.2013	No	Of general importance: Expanded disclosures may be required.
IFRS 13	Fair Value Measurement	12.5.2011	1.1.2013	No	Of general importance: The Fair Value Measurement may change.
IAS 1	Presentation of Financial Statements: Changes for the presentation of elements in Other Comprehensive Incomce	16.6.2011	1.7.2012	No	Of general importance: The presentation of elements in Other Comprehensice Income may change.
IAS 12	Income Taxes: Amended in Deferred Tax, Recovery of Underlying Assets	20.12.2010	1.1.2012	No	Insignificant
IAS 19	Employee Benefits: Amended Accounting for employee benefits, particularly pensions and other postretirement benefits	16.6.2011	1.1.2013	No	Insignificant
IAS 27	Consolidated and separate Financial Statements	12.5.2011	1.1.2013	No	None
IAS 28	Investments in Associates and Joint Ventures	12.5.2011	1.1.2013	No	None

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 entities, except as explained in note which addresses changes in accounting policies.

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 entities that are fully consolidated in these consolidated financial statements are BMW Overseas Enterprises N.V. and BMW España Finance S.L.

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 intragroup 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.

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.

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. Unrealized 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 unrealized 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.

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 recognized less, where appropriate, cumulative amortization recognized 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 amortized 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 recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized 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 amortization, if no impairment loss had been recognized.

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.

Finance income and finance costs

Finance 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 recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized 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 recognized 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 recognized in profit or loss except to the extent that it relates items recognized 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 recognized 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.

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 BMW Group 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 BMW Group's other components. All operating segments' operating results are reviewed regularly by the BMW Group'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.

[2] Geographical segments

The company does not recognise any operating segments as defined by IFRS 8.

[3] Debt securities

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

in euro thousand	30.06.2011	31.12.2010
Debt securities part of a fair value hedge relationship	11,069,471	11,092,857
Debt securities part of a cash flow hedge relationship	88,182	112,260
Debt securities at amortised cost	4,084,545	4,568,753
Commercial paper	2,141,867	3,004,884
Total	**17,384,065**	**18,778,754**

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

Interest	Currency (ISO-Code)	Issue volume	Weighted average maturity period (in years)	Weighted average effective interest rate (in %)
Variable	EUR	889 million	1,2	1,8
Variable	SEK	1,600 million	1,4	3,3
Variable	USD	130 million	2,8	0,9
Fixed	AUD	250 million	2,3	7,2
Fixed	EUR	12,362 million	3,5	4,7
Fixed	GBP	300 million	2,4	5,2
Fixed	JPY	4,000 million	1,2	0,4
Fixed	NOK	2,450 million	2,6	4,5
Fixed	RON	44 million	1,0	11.4
Fixed	SEK	1000 million	3,0	3,7
Fixed	USD	600 million	0,5	4.9

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. 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. The Company issued 17 new EMTNs (euro 2.4 billion) and applied fair value hedge-accounting for 10 new EMTNs). It redeemed 12 EMTNs (euro 2.7 billion).

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.

BMW Finance N.V.
Statement of comprehensive income

Statement of comprehensive income

in euro thousand	Notes	1 January to 30 June 2011	1 January to 30 June 2010
Interest income BMW Group companies		247,782	263,961
Interest income Third parties		335,065	180,997
Interest income	[1]	**582,847**	**444,958**
Interest expense BMW Group companies		(4,807)	(3,917)
Interest expense Third parties		(625,855)	(483,327)
Interest expense	[1]	**(630,662)**	**(487,244)**
Interest margin		**(47,815)**	**(42,286)**
Result from other financial income and expenses		261	877
Result from fair value measurement of financial instruments		(28,895)	32,169
Financial income	[1]	**(76,449)**	**(9,240)**
Miscellaneous income & expenses	[1]	(606)	(549)
Income before taxation		**(77,055)**	**(9,789)**
Taxes	[1]	19,264	5,806
Net income		**(57,791)**	**(3,983)**

Statement of comprehensive income

in euro thousand	1 January to 30 June 2011	1 January to 30 June 2010
Net income	**(57,791)**	**(3,983)**
Effective portion of changes in fair value of cash flow hedges	(1,903)	620
Deferred tax on other comprehensive income	476	(158)
Other comprehensive income for the period after tax	**(1,427)**	**462**
Total comprehensive income for the period	**(59,218)**	**(3,521)**

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

Assets in euro thousand	Notes	30.06.2011	31.12.2010
Investments in subsidiaries	[1]	106,070	106,070
Receivables from BMW Group companies	[1]	7,009,538	6,510,607
Marketable securities	[1]	58,000	58,000
Derivative assets	[1]	309,782	499,780
Non-current assets		**7,483,390**	**7,174,457**
Receivables from BMW Group companies	[1]	14,873,519	15,657,806
Derivative assets	[1]	37,074	72,417
Interest receivables and other receivables	[1]	332,825	336,727
Cash and cash equivalents	[1]	66,239	232,392
Income tax receivables	[1]	19,264	
Current assets		**15,328,921**	**16,299,342**
Total assets		**22,812,311**	**23,473,799**

Equity and liabilities in euro thousand	Notes	30.06.2011	31.12.2010
Issued capital	[1]	1,750	1,750
Share premium reserve	[1]	55,488	55,488
Hedging reserves	[1]	1,762	336
Retained earnings		157,231	116,089
Undistributed income		(57,791)	41,142
Equity		**158,440**	**214,805**
Debt securities	[1]	12,078,324	12,502,411
Loans due to banks	[1]	3,093,357	2,934,481
Liabilities due to BMW Group companies	[1]	–	–
Derivative liabilities	[1]	154,621	204,336
Deferred tax liabilities		587	114
Non-current liabilities		**15,326,889**	**15,641,342**
Debt securities	[1]	5,305,741	6,276,343
Loans due to banks	[1]	456,898	423,186
Liabilities due to BMW Group companies	[1]	1,049,279	325,530
Derivative liabilities	[1]	30,301	54,109
Interest payables and other liabilities	[1]	484,763	538,484
Current liabilities		**7,326,982**	**7,617,652**
Total equity and liabilities		**22,812,311**	**23,473,799**

BMW Finance N.V.
Statement of cash flows

in euro thousand	1 January to 30 June 2011	1 January to 30 June 2010
Net income for the year	(57,791)	(3,983)
Adjustments for non-cash items		
Unrealised foreign exchange losses/(gains)	–	877
Fair value measurement losses/(gains)	1,427	32,631
Taxes	473	(994)
Amortization financial instruments	10,741	
Changes in operating assets and liabilities		
Receivables from BMW Group companies	285,357	(548,988)
Receivables and other assets	3,902	(77,482)
Derivatives	151,817	(417,853)
Debt securities	(1,405,430)	1,178,207
Loans due to banks	192,587	(250,000)
Liabilities to BMW Group companies	723,749	38,662
Other liabilities	(53,721)	(13,288)
Income tax paid	(29,264)	
Cash flow from operating activities	**(166,153)**	**(62,211)**
Marketable securities	–	–
Cash flow from investing activities	**–**	**–**
Cash flow from financing activities	**–**	**–**
Net increase/decrease in cash and cash equivalents	(166,153)	(62,211)
Cash and cash equivalents at January 1	232,392	102,677
Cash and cash equivalents at December 31	**66,239**	**40,466**

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**	**828**	**113,719**	**2,370**	**154,893**
Total income and expenses 2010 recognized in the profit and loss account					(3,983)	(3,983)
Total income and expenses in 2010 recognised in directly in equity			462			462
Total comprehensive income in the period			**462**		**(3,983)**	**(3,521)**
Appropriation of results 2009				2,370	(2,370)	–
30 June 2010	**1,750**	**36,226**	**1,290**	**116,089**	**(3,983)**	**151,372**
1 January 2011	**1,750**	**55,488**	**336**	**116,089**	**41,142**	**214,805**
Total i comprehensive income 2011 recognised in the profit and loss account					(57,791)	(57,791)
Total comprehensive income 2011 recognized directly in equity			1,426			1,426
Total comprehensive income in the period			**1,426**		**(57,791)**	**(56,365)**
Appropriation of results 2010				41,142	(41,142)	–
31 December 2010	**1,750**	**55,488**	**1,762**	**157,231**	**(57,791)**	**158,440**

[4] **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. with the exception of investments.

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.

BMW Finance N.V.
Responsibility statement

[1] 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, 13 August 2011

N. Mayer
Director

J.-C. Koenders
Director

Dr. J. Hensel
Managing Director